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EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

BRAZIL
Coming in from
the cold

Page 6

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Wednesday September 4 1991

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World News

UK premier angers China with human rights speech

British prime minister John Major, in China for talks on Hong Kong, yesterday delivered an uncompromising attack on his hosts' human rights record.

He told Chinese premier Li Peng that Britain intends to keep up pressure for the release of political dissidents and other detainees. Mr Li riposted with a reminder of Britain's inglorious human rights record during its intervention in China last century.

Page 18; Background, Page 4; Critic deal, Page 19

Brazil plan rejected

Brazilian state governors have refused to back President Fernando Collor de Mello's plans for radical constitutional change. Page 6

Marcos fraud charges

The Philippines brought fraud charges against Imelda Marcos, wife of the country's former dictator, accusing her of spending over \$25m of public money on personal items. She already faces over 30 tax evasion and corruption counts.

Kashmir clashes end

India's army said shooting had stopped after a day's artillery clashes with Pakistan in the border region of Kashmir. The truce followed talks between army commanders.

Israeli parties

Israeli president Saddam Hussein ratified a law allowing the formation of political parties - but it will not legalise Kurdish and Shia factions.

Turk spied for Iraq

A Turkish military court jailed restaurant cashier Necati Oyan for 12 years after he admitted taking money to spy for Iraq.

Malaysian crash

A Malaysian charter aircraft with 20 people aboard crashed in jungle on the island of Borneo. Six people were rescued.

Archbishop murdered

Retired French archbishop Yves Hénery, 78, the first Roman Catholic bishop sent to Cameroon, was murdered at his home north of Yaounde. Police blamed robbers.

Fire sweeps factory

At least 20 people were killed when fire ripped through a chicken processing factory in Hainan, North Carolina. About 100 other workers were still unaccounted for.

Change at Greenpeace

David McTaggart, 59, chairman of Greenpeace, retired after 12 years as head of the international environmental group. His successor is Finnish lawyer Matti Wuori.

Rebellion call

Supporters of exiled Lebanese Christian general Michel Aoun circulated leaflets urging rebellion against the Syrian army and the Lebanese government of President Elias Hrawi.

E German executions

Dozens of East Germans said to have died of heart failure in state prisons in the 1950s were in fact guillotined or shot, German prosecutors said.

Ersad trial opens

Former Bangladeshi president Mohammad Ershad went on trial in Dhaka accused of stealing money through the purchase of aircraft in 1989.

UK city riots

Urgent police reports were ordered after riots in three British cities. Since Friday, police and youths have clashed in Cardiff, Oxford and Birmingham. Page 7

A wonderful life

Award-winning filmmaker Frank Capra, best known for his film classic *It's a Wonderful Life*, died at his Californian home aged 94.

Business Summary

Dresdner Bank and BNP agree share plan

Dresdner Bank, Germany's second largest bank, and Banque Nationale de Paris, France's largest state-owned bank, are about to complete a wide-ranging collaboration agreement which will involve cross-shareholdings of around 10 per cent.

The two banks will shortly present their proposals to the European Commission in Brussels - possibly in a few weeks - and to shareholders.

Page 20

JAPAN may act against investors

as well as stockbrokers over compensation payments for trading losses. Finance minister Ryutaro Hashimoto will present legislative changes to parliament dealing with compensation payments and with other recently discovered wrongdoings including links between securities companies and gangsters. Page 18

Private investors alienated

Page 19

CITIC PACIFIC, Hong Kong

listed arm of Peking's China and International Trust and Investment Corporation (Citic), is heading a consortium which is set to win control of Hang Chong Investment, a trading and agency group which is one of Hong Kong's largest unlisted companies. Page 19

RHONE-POULENC, France's

largest chemicals group, reported a 54.4 per cent fall in first-half net profits to FF959m (\$186.2m) after lower asset sales in the second quarter. Page 19

PENTLAND GROUP, British

sports shoe concern, may raise its stake in Germany's Adidas sportswear company beyond its present 35.06 per cent. Page 19

ASCOM, Swiss telecommunications

and automation group, reported a 2.7 per cent advance in first-half sales to SF1.39bn (\$906m). First-half profits were not disclosed. Page 26

HUNGARY is to sell 45,000

tonnes of surplus wheat to the European Commission, which will give it to food-short Albania. Page 30

CHRISTIANIA BANK, the Oslo

Stock Exchange has criticised the former management of Norway's second biggest bank for inaccurately reporting credit losses. Page 22

PHILIP MORRIS, US cigarette

maker and the largest private buyer of Turkish tobacco, has won Turkish government approval for a \$480m joint venture investment to produce its Marlboro brand in Turkey. Page 4

CONTINENTAL AIRLINES, the

US carrier which has operated under bankruptcy court protection since December, has held "very preliminary" talks with an investment group headed by H. Ross Perot. Page 22

STATOIL, the Norwegian state

oil company, has signed a letter of intent to acquire a 50 per cent stake in Mabanaft, a subsidiary of Germany's Marquard & Bahls, which has annual sales of 260,000 tonnes of crude oil products, mostly gasoline and gas oil. Page 22

MACHINE tool-makers in

Japan are facing a slowdown. Orders are down for the seventh successive month and companies are braced for lower sales and smaller profits. Page 21

DAICHI Corporation, financial

ly troubled core company of Japan's Daiichi Real Estate group, is being restructured after being hit by a downturn in property prices, higher interest rates and a weak stock market. Page 21

AUSTRALIA cut interest rates

by a full percentage point to 9.5 per cent, surprising financial markets, which had expected an easing of half a point. Page 4

EC calls weekend peace conference on Yugoslavia

By David Gardner in The Hague and Laura Silber in Belgrade

THE European Community yesterday called a peace conference to try to settle Yugoslavia's worsening ethnic conflict. It is scheduled to start this Saturday in The Hague.

The Community's first attempt to settle an international crisis will be chaired by Lord Carrington, the former UK foreign secretary and Nato chief who presided over the 1979 Lancaster House negotiations which ended Zimbabwe's civil war.

The conference follows Monday morning's acceptance by all the Yugoslav combatants of a ceasefire, the extension of EC monitoring to the areas of Croatia disputed between Serbs and Croats, and the disengagement of the contending forces.

As violent clashes continued in Croatia yesterday, Mr Hans Van den Broek, foreign minister of the Netherlands, which currently holds the EC presidency, said they underlined the urgent need for independent monitoring of the ceasefire agreement he secured at the weekend in Belgrade.

At least three civilians were killed, including a 13-year-old girl who died when her home on the outskirts of Osijek was hit by mortar fire.

Four soldiers and several civilians, including three children, were killed in fighting overnight in Petrinja, 50km south of the Croatian capital Zagreb, site of the republic's biggest food processing plant.

Mr van den Broek said: "There are many versions

about who is responsible and this is bound to continue without impartial control." He announced that a team of 200 monitors, from the EC and four countries from the 35-nation Conference on Security and Co-operation in Europe, would start arriving in Zagreb tomorrow. He warned that they would remain in the Croatian capital until their safety was sure. While no one would say so yesterday, it is a precondition for the conference to go ahead that a ceasefire suffi-

cient to reverse the escalating violence of the past month be in force by Friday, when the Twelve meet in Brussels.

The conference was brought forward from September 16 to maintain the momentum generated by Monday's agreement. The accord marked the first time that Mr Slobodan Milosevic, the Serbian president, has agreed to full EC mediation.

The three premises on which the conference is based are:

- Yugoslavia's internal borders cannot be changed by force;
- rights of minorities in the republics, such as Serbs in Croatia, must be guaranteed;
- and "full account [is] to be taken of all legitimate concerns and legitimate aspirations."

After endorsement of these principles at The Hague on Saturday by the conference participants, the conference will break into working groups.

EC forces the pace, Page 18

Fair deal, Page 17

Republics agree to Gorbachev demand for two-tier structure

Soviets rethink union policy

By John Lloyd in Moscow

MR Mikhail Gorbachev, the Soviet leader yesterday withdrew plans proposed on Monday to give the republics political supremacy and instead sought support for a new proposal which would retain some union structure.

Mr Gorbachev, who finally took the podium at the second session of the Congress of Peoples Deputies, withdrew a controversial proposal to set up a transitional parliament of republics and called on the deputies to save the union from oblivion.

The new proposals would retain a Supreme Soviet, but with one chamber nominated by the republics and one directly elected.

He said the leaders of the 10 republics, who on Monday had jointly proposed the transitional Council of Representatives with him, had agreed to drop this element.

He won the backing of Mr Boris Yeltsin, the Russian leader, who also said he was sure that 14 of the 15 Union republics would sign the earlier-proposed economic agreement.

In a sop to deputies angered that some of the earlier plans would give republics full control of federal bodies, Mr Gorbachev said the Supreme Soviet could continue to exist as a law making body for the transitional period until a new constitution was signed.

The latest formula, rushed out by the Soviet president and the ten republican leaders who are now co-operating to push through new federal structures, would retain some element of all-union representation - and implies immediate elections to the new body.

It leaves unclear, however, which republics would participate in such elections, and the

announcement gave the impression of a hurried policy change in response to complaints of unconstitutionality and lack of sufficient influence for Russia in the council of representatives.

Mr Gorbachev pleaded with the republics - all of which, except Russia, have now announced some form of independence - to agree to a new union treaty in which they could be federative, confederative or associate members. "Let this union be really voluntary

Germans back Dutch proposals on Emu entry

By David Buchan in Brussels

GERMANY yesterday put its weight behind new Dutch proposals that would require European Community members to meet tough inflation, budgetary and monetary targets before joining a European currency union.

The proposals, discussed for the first time yesterday by representatives of EC finance ministers, drew criticism from several southern countries. Many are worried they will be unable to meet the strict conditions required for economic and monetary union (Emu).

Continued on Page 18



Testimonial: Boris Yeltsin (left) told deputies yesterday: "I trust Mikhail Gorbachev more now than three weeks ago"

so that it meets differing interests", he said.

Mr Yeltsin sought in a short speech during the morning session to calm fears that his republic would lose its stock of moral capital and economic power to prebendary in any union which might be agreed.

"The Russian state, which has chosen democracy and freedom, will never be an empire, neither a younger nor an older brother. It will be an equal among equals."

As he was speaking, Mr Yuri

Shcherbak, the Ukrainian environment minister, was telling reporters that he feared the renewed imperialism that Mr Yeltsin disavowed.

Mr Yeltsin squarely blamed Mr Gorbachev for laying the conditions for the coup by promoting and encouraging hardliners in his government. However, he said: "I personally trust Mikhail Sergeyevich Gorbachev more now than, for example, three weeks ago."

The Russian leader later said in a television interview that the other republics in which nuclear weapons were sited - Ukraine and Kazakhstan - were working on an accord under which they would be returned to Russia, where most are now based. "We need to continue our work to eliminate all nuclear weapons" - echoing an earlier position taken by the Soviet president.

Continued on Page 18

US space threat; German stance on aid, Page 2

Help for minorities, Page 17

Commerzbank talks with Crédit Lyonnais collapse

By Andrew Fisher in Frankfurt

TALKS on joint shareholdings between Commerzbank and Crédit Lyonnais have foundered over differences of banking policy and management style between the German commercial bank and the French state-owned institution.

Commerzbank has made clear in recent weeks that it was uneasy about plans which would have led to it taking a 7 per cent stake in Crédit Lyonnais, which would in turn have bought 10 per cent of the German bank.

The German bank had intended originally to make a statement on the ending of talks at the Bangkok meeting of the International Monetary Fund (IMF) next month.

News of the failed negotiations coincided yesterday with an announcement that Dresdner Bank and the French state-owned Banque Nationale de Paris (BNP) were well on the way to agreement on cross-holdings and further limited co-operation.

Commerzbank, Germany's third largest bank, has taken a more sober approach to the question of co-operating with Crédit Lyonnais since Mr Martin Kohlhaussen succeeded Mr Walter Seipp as chief executive in June.

The French bank recently opened a further German branch in Baden-Baden, indicating that a joint holding would not hinder it from expanding on the other bank's territory. The German bank has made no statement yet about the ending of talks with Crédit Lyonnais, which was still saying yesterday it hoped for an eventual shareholding agreement with Commerzbank.

Mr Seipp and Mr Kohlhaussen have stressed that the bank could easily go it alone if no deal was signed by the end of this year.

Mr Stephen Lewis, banking analyst with Salomon Brothers, said discussions between Commerzbank and Crédit Lyonnais had looked like going sour over lack of compatibility in strategy and corporate culture and because the German bank did not want

to be pulled into other ventures as it was investing in eastern Germany and beyond.

Credit Lyonnais has expanded its foreign operations and lending considerably. The French bank's group lending grew by more than 50 per cent in the four years to 1990. One of its more controversial activities has been its lending to the US film industry, where its exposure is estimated at around \$2.5bn.

Unlike Dresdner and BNP, Commerzbank and Crédit Lyonnais have no mutual board representation. Also, Dresdner is understood to be less disconcerted by BNP's more restrained style and to feel its activities in east Germany and eastern Europe will not be overridden by the demands of expansion elsewhere.

Share plan, Page 20

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Marathon man Mitterrand shows signs of weakness



The initial response of the 74-year-old French president to news of the Soviet coup, has led many to question his political judgment and is still occupying the attention of the national media.

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MARKETS

STERLING New York lunchtime: \$1.6942 London: \$1.692 (1.95) DM12.945 (2.94) FF10.0 (9.925) SF2.925 (2.925) Y230.0 (230.25) £ Index 91.0 (90.8)	GOLD New York: Comex Dec \$322.9 (335.7) London: \$348.5 (348.05) N SEA OIL (Argus) Brent \$20.5 (-0.125)	DOLLAR New York lunchtime: DM1.7355 FF6.899 SF1.5215 Y138.88 London: DM1.74 (1.7455) FF6.91 (5.93) SF1.527 (1.533) Y138.95 (138.7) £ Index 91.3 (91.6) Tokyo close: Y136.64 US lunchtime rates Fed Funds: 5 1/4% (5 1/4%) 3-month Treasury BBS: 5.475% (5.44) Long Bond: 100 1/4 (101 1/2) 5.475% (5.44) yield: 8.052% (8.0)	STOCK INDICES FT-SE 100: 2,658.0 (-10.6) FT Ordinary: 2,096.4 (-11.9) FT-A All-Share: 1,280.51 (-0.2%) New York lunchtime: DJ Ind. Av. 3,048.95 (+3.36) S&P Comp 395.12 (-0.31) Tokyo: Nikkei 22,459.8 (+0.78)
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CITIBANK

THE SOVIET UNION

EBRD fixes focus for technical assistance

By Peter Norman, Economics Correspondent

THE European Bank for Reconstruction and Development (EBRD) yesterday adopted a plan of action for its operations in the Soviet Union this year that will focus on the provision of technical expertise.

A meeting of the EBRD board, which was attended by a delegation from the Soviet Union and the Russian Federation headed by Mr Ernest Oboznenko, the Soviet deputy foreign minister, decided to concentrate technical assistance in the areas of privatisation, the financial sector, agricultural distribution systems and energy.

The bank, which was set up earlier this year to help the emerging democracies of eastern Europe develop market-based economies, also announced that it will take immediate steps to establish an office in Moscow.

A statement issued after the meeting made no reference to recent suggestions for an increase in the bank's limited ability to lend to the Soviet Union and it is understood that this issue did not figure on yesterday's agenda.

Although the European Community favours increasing the EBRD's lending capacity, the US, Japan and some other members of the bank are opposed.

The bank's action plan stresses the importance of training Soviet managers in how to privatise companies and how to develop a financial services industry. The bank is also providing advice on privatisation to the governments of the republics and municipalities.

Bonn takes harder line on Soviet aid

By Quentin Peel in Bonn

MR Theo Waigel, the German finance minister, yesterday warned strongly against fragmentation of the Soviet Union, and called for guarantees that existing Soviet debts be met.

While arguing for generous western assistance for the democratisation process in the Soviet Union, he admitted that it would only be possible to begin when three preconditions were fulfilled: adoption of the structures of a market economy; guarantees of the repayment of existing loans and working out a joint economic adaptation plan with the IMF and World Bank to guarantee the stability of the currency and strict control of public finances.

His statement amounts to a considerable hardening in the German position, although he promised rapid preparation of plans for co-ordinated food aid, and medical assistance, in the coming months.

● The west needs to study the idea of a payments system to revive trade among the countries of the former Soviet bloc and to help integrate them into the world economy. Mr Pierre Berégovoy, French finance minister, said, French adds from Paris.

● Russia and Poland signed an economic pact yesterday to halt a drastic collapse in trade, Reuter writes from Moscow.

Swift reversal saves the Union from oblivion

By John Lloyd in Moscow

THE Supreme Soviet, and with it some notion of the Soviet Union, appears to have been saved from oblivion.

In his sudden, almost throwaway, announcement to the Congress of People's Deputies yesterday, President Mikhail Gorbachev has, it seems, revived an institution which would draw its elective mandate from the Union. He has thus continued the constitutional life of the Supreme Soviet, albeit in a new form. He also seems to have ceded to demands that Russia be given power more commensurate with its size.

The precise import of his announcement is, as is now commonplace, still unclear. But what Mr

Gorbachev told the Congress yesterday appears to be this.

The Council of Representatives originally proposed to the Congress on Monday - which was to act as a kind of transitional parliament, made up of 20 representatives from each republic, until a constitution is signed - will not now be formed.

Mr Gorbachev said that in discussions with the 10 republican leaders who are now co-operating with him in trying to preserve some form of a union, the question of its legislative powers was "repeatedly raised". They seem to have decided that it could not, constitutionally, be a legislative chamber - although Mr Sergei Alexeyev, the Constitutional

Compliance Committee chairman, had earlier said it could.

As a result, the Soviet and republican leaders have fallen back on another model: not the old Supreme Soviet, but a revamped Supreme Soviet as described in the Union Treaty - which was to have been signed on August 30.

This is conceived of as a two-chamber legislature, with the upper, and superior, chamber being the Council of the Republics. The members of this council will be delegated by the union republics - and by the autonomous republics, regions and areas that exist within the union republics, especially within Russia.

The draft treaty says that the dis-

tribution of seats in the new upper chamber will be the same as for the Council of Nationalities in the present Supreme Soviet - 11 each from union republics, four each from autonomous republics, two each from autonomous regions and one each from autonomous areas.

The second chamber is the Council of the Union, elected on a territorial basis across the Soviet Union from constituencies of equal population - which means that Russia has over half the votes.

In the draft treaty, the houses are given responsibility for jointly taking many key decisions. The Council of the Republics would take the remaining major ones - such as leg-

islating on the shape and function of the federal authorities and supervising inter-republican relations. Laws enacted by the Council of the Union would also have to be ratified by the Council of the Republics.

This would mean that Russia would have a majority in one house and a substantial minority in the other - through its own votes and those of the autonomous republics, regions and areas on its territory which would, in most cases, vote with it. This answers the complaint made by many Russian deputies that the Council of Representatives, with 20 votes to each republic, took no account of Russia's importance. It also answers the complaints

voiced on the floor of the Congress yesterday that the abolition of the present Congress of Peoples Deputies and the Supreme Soviet violated the constitution.

In addition, the new proposals also address the objections by the autonomous republics that they had no representation on the Council of Representatives.

Adding to the pressure for change was the conclusion of a joint meeting of the committees on legislation and constitutional supervision, released last night, which said that the law-making function of the Supreme Soviet should be preserved in the transitional period until a constitution is signed.



MPs read newspapers during a break in yesterday's session of the Congress of People's Deputies

Baltics take first step to membership of UN

THE THREE breakaway Baltic republics yesterday took the first step to United Nations membership, as Britain and France presented formal applications to the UN secretary-general on their behalf.

The requests for Estonia, Latvia and Lithuania must still be submitted to the UN Security Council and approved by a two-thirds vote of the General Assembly.

Mr Aleksander V. Denisov, Soviet mission spokesman, said the Soviet Union would not block membership for the Baltics. "On the contrary, we will support it," he said.

The request to Mr Javier Pérez de Cuellar asked that admission be given immediate attention so that the Baltics could participate in the 46th General Assembly session, which begins on September 17. The move came as the Soviet Congress of People's Deputies put off until today a key vote on whether to recognise the independence of the three republics.

Although they have been recognised as independent by most western countries and by the Russian Federation of Mr Boris Yeltsin, they have still to receive an official "exit visa" from the Soviet Union.

The Congress - still formally the supreme law-making body in the Soviet Union - could provide such recognition, but there are fears that the anti-secessionist "Soyuz" (Union) group may muster enough votes to block the two-thirds majority necessary for a

By Leyla Boulton in Moscow, Gillian Tett in Vilnius, Chrystia Freeland in Kiev and agencies

constitutional change.

A draft resolution also due to be debated today calls on the Congress to recognise the declarations of sovereignty issued over the past year by every single Soviet republic.

Representatives from all three Baltic republics will today arrive in Moscow to observe the talks between the Soviet republics on future economic ties within the Union.

The presence of the Baltic representatives suggests that, however keen the Baltics are to assert political independence, they are increasingly realistic about the need to retain economic ties with the remains of the Soviet Union.

"Sorting out the political and legal issues [about the Baltics] could take a long time at the Congress. But economic relations have to be decided right away," explained Mr Vytautas Navickas, the Lithuanian representative at the discussions. "We need to develop around the republics yesterday."

● The parliament of the Ukraine approved the appointment of the republic's first defence minister, General Konstantin Morozov. The move underscores the republic's determination to form its own national guard, place Ukrai-

nian soldiers on all its borders, and take control of those units of the Soviet army stationed in the Ukraine.

Meanwhile, the Transnistrian republic, a breakaway region in western Moldova, asked a western Ukrainian provincial government to help it leave Moldova and join the Ukraine. Before the failed coup, the republic was a conservative bastion which insisted on the preservation of the Soviet Union. Now that the Union is falling apart the Russian-speaking but predominantly ethnically Ukrainian Transnistrians have rediscovered their roots and are clamouring to join the Ukraine.

The Ukrainian government has turned down their request, explaining that none of the borders between republics should be altered. This principle is particularly important for the Ukraine.

● Azerbaijan rejected an unconstitutional decision of the mainly Armenian enclave of Nagorno-Karabakh to declare its independence.

Nagorno-Karabakh, where 800 people have been killed in bloody ethnic clashes over the past three years, declared itself independent on Monday, taking with it the neighbouring Shaumyan district to the north, as the "Nagorno-Karabakh Armenian Republic".

Workers in Azerbaijan yesterday ignored a call by the southern republic's nationalist opposition for a general strike, local journalists said.

Raisa relives three days of fear

By Leyla Boulton in Moscow

MR Mikhail Gorbachev and his family have always been known to enjoy a lifestyle which the ordinary Soviet family could only dream about. But for three agonising days they were subjected to the fear and oppression which has gripped the Soviet nation for seven decades.

This is what emerges from Mrs Raisa Gorbachev's first interview since she suffered an attack of high blood-pressure, which affected her speech, on the day the coup collapsed.

She said she had feared that coup leaders, who claimed her husband was too sick to rule, were flying to their villa in the Crimea to harm the family rather than to give themselves up.

"I thought that they could take measures to turn their backs into reality [and that] a tragic ending could happen very quickly," Mrs Gorbachev told Trud, the trade union newspaper.

She also revealed that, during their captivity, the Gorbachevs took long walks within the confines of their villa compound in the hope that outsiders would see Mr Gorbachev was not ill in rule, and had been overthrown.

They also talked on the balcony for fear of bugging - a well-entrenched KGB practice which may now be abandoned with the reforms promised by the security agency's new chairman.

"Our bodyguards recommended that we not talk too freely in the rooms," she said.

For fear of being poisoned, the Gorbachevs ate only food bought before they were put under house arrest.

In explaining why, despite the coup leaders' attempt to isolate them, they happened to have pocket radios with them, Mrs Gorbachev said that the Soviet president did his own shaving. This surprised her interviewer, since the president's predecessors used the services of the Kremlin barbers.

"When Mikhail Sergeyevich shaves in the morning, he likes to listen to 'Mayak' [radio station]," she said.

Mrs Gorbachev, criticised early in her husband's rule for playing too public a role as first lady, has been seen by many ordinary Soviet people as remote and luxury-loving. News that she shopped during trips abroad with an American Express gold card did little to help her image.

In her interview, she still appeared somewhat stiff, always referring to her husband by his name and patronymic, or as "the president of the USSR".

But she said she read Trud regularly, despite the fact that it is seen as working class, and she claimed she was a woman of the people.

"I feel and undergo everything which is endured by each of our citizens. I am part of this country, and these are not just words."

US may end Soviet space deal ban

By George Graham in Washington

THE US government is considering relaxing its restrictions on the launch of US satellites by Soviet rockets.

This move could open the way for the Soviet space programme to start marketing its services around the world.

Soviet efforts to break into the market for commercial satellite launches has been inhibited by the fact that US regulations forbid the export of such high technology items to countries like the Soviet Union for reasons of national security.

A large proportion of the world's satellites are either owned or made by the US. Washington has refused to allow satellites to be shipped to the Soviet Union, even for the short period necessary for a launch into orbit.

The rules have been relaxed in the past, however, to allow

US payloads to be lifted into space by the Chinese Long March rocket.

The world satellite launching market is dominated by Arianespace, the European consortium, in competition with General Dynamics and McDonnell Douglas of the US.

Increased Soviet access to the world satellite market is likely to meet stiff opposition. Commercial launchers like Arianespace claim that the Soviet and Chinese programmes can undercut them because their

prices bear no relation to their costs nor to market reality.

Soviet space officials have periodically proposed their services to the US, notably offering their huge Energia rocket as a heavy launch vehicle.

They have also sold seats on their space flights to astronauts from other countries, most notably a grumpy Japanese journalist whose television station paid \$12m (£7.1m) for the privilege.

The National Aeronautics and Space Administration

The commander of the US army in Europe said yesterday that Soviet instability rather than Moscow's war machine was now Nato's biggest concern, Reuter reports from Cologne.

General Crosbie Saint, greeting troops arriving for manoeuvres in Germany, said the upheaval in the Soviet Union made it all the more important for the alliance to unite and for the US to support its European partners.

(Nasa) has an agreement to co-operate with the Soviet space agency in space sciences.

The two agencies fly instruments on each others' space vessels and pool data in a number of areas. However, the Soviets have never made any formal commercial offer to Nasa.

Efforts to market Soviet space capabilities for hard currency, including the orbiting space station Mir, may intensify now that the country's increasing economic difficulties are putting pressure on the space budget.

The space programme has already been scaled back, but Mr Boris Yeltsin, the Russian Federation's president, has complained that too much is spent on space exploration at a time when the country's standard of living is so low.

Baltics set to share pre-1940s secret fund

By Peter Marsh

THE Soviet Union's three Baltic republics look likely to share a windfall payment of several tens of millions of dollars as the prize for regaining their independence.

Latvia, Estonia and Lithuania would divide between them cash which has been piling up in a Swiss bank account for the past 52 years, ever since their assets were seized by the Soviet Union at the time of the communist takeover at the outbreak of the Second World War. The money has been controlled over this time by the Bank for International Settlements, the Basel-based central bankers' bank set up in 1930.

The Russian state was among the 21 founder members of the bank, and since the Soviet takeover the dividend

payments which should have gone to them every year have been kept separately in secret bank accounts.

It is likely that, assuming the Baltic states regain their independence formally over the next few months, they will set up their own central banks, at which point they will be readmitted to the BIS.

Separately, the Baltic republics could also lay claim to about \$6m worth of gold, which they entrusted to the Bank of England in the 1930s and which the Bank sold to the Soviet Union in 1963 as part of a government agreement. The Foreign Office said that, assuming the Baltic states became independent, they would be free to ask Britain for some of the money back.

Tatarstan communists change coat but preserve their essence

Anthony Robinson reports from an autonomous republic where party power is merely bending before the winds of change

IN Moscow it is clear that a revolution is afoot. But 800km further east, in Kazan, capital of Tatarstan, whose leaders publicly supported last month's abortive coup, little appears to have changed.

On the first day of the coup, Mr Mintimer Shamiev, president of the small autonomous republic with a mixed population of 4m Tatars and ethnic Russians, flew back to Kazan after meeting the coup leaders. Next day, he called a special session of his presidential council consisting of leading party members, the managers of the biggest industrial plants and security chiefs.

He then issued a statement supporting the coup. It was published in the local papers which he subjected to strict

censorship. Vechernyaya Kazan, the local evening paper, tried to publish appeals for disobedience to the coup by Mr Boris Yeltsin, the Russian president. It had the offending material ripped from its front page personally by the manager of the party-controlled printing press.

Later that evening in central Freedom Square militia with rubber truncheons tore into a small crowd protesting against the coup, arresting seven people and beating others.

Two weeks later, however, Mr Shamiev and other senior officials remain at their posts and Mr Shamiev's supporters have even formed a defence committee to protect his power and reputation. The only sign that the coup found support in Kazan is a small hand-written sign declaring "Glory to the

GKChP" (the unpronounceable acronym of the coup committee) which still graces the wall of a small river bridge carrying Tatarstan Avenue towards the city centre.

Last Friday, the Tatar Supreme Soviet, the local parliament, in which communists hold 218 of 250 seats, endorsed the stand taken by Mr Shamiev as consonant with the defence of the national interests of the republic, which forms part of the Russian Federation.

Parliament declined to set up a special commission to investigate the coup. Its only concession was reluctantly to endorse President Mikhail Gorbachev's order to suspend the activities of the Communist party, and place a guard on its property.

In vain, Mr Masgout Kha-

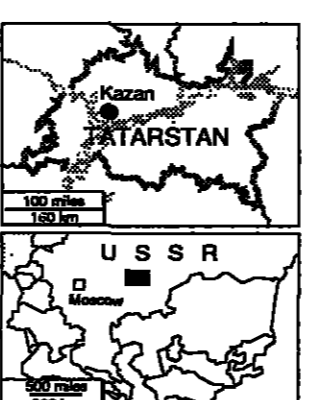
zov, and other radical deputies from the 30-strong People's Power faction, called for the resignation of Mr Shamiev and the chairman of the Supreme Soviet, Mr Farid Mukhametshin, before walking out in protest. "Unfortunately, the coup did not last long enough for its hidden supporters to reveal themselves," Mr Khaizov commented bitterly.

The reason why many suspected coup supporters kept their heads down during those crucial three days was inadvertently revealed by Mr Nail Samuilin, the first deputy minister of the interior. He, like other senior officials, was still on holiday when the coup began. As soon as he returned to his office, his first priority was to find out from Moscow which way the wind was blowing.

The word from Moscow was that the coup leaders were incompetent and had little chance of success. That greatly simplified matters.

Mr Samuilin ignored instructions from the Soviet Interior Ministry, headed by Mr Boris Pugo, one of the coup leaders, and took his orders only from the Russian Ministry of the Interior, which was subordinate to Mr Yeltsin.

Despite the formal suspension of the Communist party, what has happened in Kazan is illustrative of the interlocking network of party, security, mil-



itary and economic power that has proved so impermeable to real change during the six years of perestroika.

Many of the large factories surrounding the city, such as the Kazan aircraft and helicopter engine plants, are fulfilling military contracts.

In the countryside, power is wielded by the managers of the collective farms. The rural areas remain timeless and conservative. On the boats that ply the Volga River, providing the main transport links through the heartland of Russia, solid peasant women still carry their wares to market in wicker baskets suspended from wooden yokes.

Beneath the placid surface, however, run deep undercur-

rents. Kazan, an independent khanate until absorbed into the Russian empire after its defeat by Tsar Ivan the Terrible in 1552, remains the northernmost outpost of Islam. Tatar nationalism now helps to sustain Mr Shamiev in power. The local parliament's declaration of independence on August 30 1990 artfully combines the desire of ethnic Tatars to reassert their cultural and religious identity with the desire of the local Communist party to retain its grip on power by playing the nationalist card.

Long before the attempted coup, republican leaders such as Mr Shamiev were insisting that Tatarstan be involved directly in negotiations for a new union treaty and be independent signatories to it. This has brought Mr Shamiev into direct conflict with Mr Yeltsin, whose assertion of Russia's right to renegotiate republican borders and defend the interests of ethnic Russians in self-proclaimed independent republics underlines Tatar fears that they would get less autonomy from Mr Yeltsin's new Russia than from the forcibly maintained union promised by the now disgraced coup leaders.

Seen from this point of view, it is easier to understand Mr Shamiev's initial support for the coup and his continuing hold on power. One of his main

demands, supported by nationalist movements such as the conservative Tatar Social Centre (OTK) and the radical Itlak party is that Tatarstan, which in the 1950s and 1960s produced up to 100m tonnes of oil a year, should gain control over its economy. For decades, Tatar oil was exported at absurdly low prices to eastern Europe, through the Druzhba pipeline. Now oil output in the dangerously polluted production area around Almetievsk has dropped to around 30m tonnes a year. But Tatarstan only has the right to sell its tonnes for its own benefit - and that only as a recent concession from the central government.

Mr Yeltsin enjoys strong support among the local intelligentsia, Russian and Tatar, for his anti-communist position. He also has wide support from ordinary Russians who make up the majority in Kazan and other large cities, such as Naberezhniye Chelny, the Kamaz truck-building city, and Nizhny Kamsk, a petrochemical centre.

Backed by the newly-appointed leadership of security and other institutions, Mr Yeltsin now holds great power in his hands. But events in Kazan demonstrate the inbuilt resistance of the old system and its capacity to change its coat in order to preserve its essence.

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EUROPEAN NEWS

Industry fires broadside at German budget

By Quentin Peel in Bonn

A BARRAGE of criticism of continuing government profligacy greeted Mr Theo Waigel, the German finance minister, yesterday after he presented a 1992 budget intended to control the soaring costs of German unification.

German industrialists, in the shape of the Federation of German Industry (BDI), and the opposition Social Democrats (SPD), called for spending cuts to reduce the government debt. There is no agreement, however, on where the cuts should fall to allow the continued flow of cash to the collapsing east German economy.

Mr Waigel yesterday put a brave face on his plan which would allow a spending increase of just 3 per cent next year, to DM422.5bn (\$241bn), and a cut in the central state borrowing requirement to DM50bn, instead of this year's DM65bn.

The costs of unification, he told the German parliament, were entirely justifiable, and he would not allow the ceiling on spending to be raised "by one millimetre".

Presentation of the budget in the Bundestag, which has until the end of November to determine its final shape, was greeted with scepticism by Mr Edmund Weis, the BDI president, who called for far more drastic measures to curb public sector spending generally in the former West Germany.

"We must not allow the economic capacity of our country to be undermined, because politicians do not have the strength or the will to resist the spending demands from all sides," he said at a news conference shortly after the budget speech.

The real level of public sector deficits, including the individual German Länder and state corporations, as well as the federal government, would be more than DM200bn in 1991, or 7 per cent of the gross national product, he said. The result, in higher interest rates, and higher inflation, was

already taking its toll of German industry.

His comments coincided with industrial production statistics showing a 1.2 per cent decline between June and July in the former West Germany, although activity is still well up on 1990 before German unification became a reality.

The BDI is increasingly concerned at industry's apparent loss of competitiveness, and in particular at the slump in foreign investment in the country, compared with neighbouring west European states. Mr Weis said that in 1990 German companies invested DM30bn outside the country, compared with an investment inflow of only DM3bn.

He forecast a continuing slowdown in the economy, based on rising taxes and duties, and the latest round of excessive wage rises outstripping productivity.

Mr Weis called for further government spending reductions to control the deficit, coming from reduction in state subsidies, and further cost cuts in the public sector.

Mrs Ingrid Matthäus-Maier, SPD finance spokeswoman, focused rather on the need for defence spending cuts, and an abolition of unnecessary tax privileges. She also strongly criticised reductions in company taxation, and the government's proposed 1 percentage point increase in value added tax to 15 per cent.

However, the real prospects for cuts in state subsidies to industries like coal mining and shipbuilding seem very limited. Already, members of the ruling Christian Democrat and Free Democrat coalition are calling for shipbuilding subsidies to be maintained. Today, hundreds of coalminers will be demonstrating in Bonn against any cuts in their industry.

The chances are that if anything, the members of the Bundestag will be adding to state spending, not subtracting, in the three months of debate and decision ahead.

Poland and banks likely to resume talks soon

By Christopher Bobinski in Warsaw

NEGOTIATIONS between the Polish government and western commercial creditors are expected to resume following a meeting yesterday between Mr Jan Krzysztof Bielecki, the prime minister, and Mr Jeffrey Stokley, who represents the banks.

The meeting, although scheduled as a courtesy call, was intended to establish who would be conducting future debt discussions following the resignation last month of Mr Janusz Sawicki, Poland's main debt negotiator.

Mr Sawicki was forced to resign after POZ, a financial institution set up to manage funds set aside to service the foreign debt, was accused of mismanagement. He was the chairman of the POZ supervisory board.

The Polish government has still to decide who will lead the debt negotiations. But it is hoped this will not jeopardise the chances of seeking a debt reduction from the London Club, in which commercial banks are grouped.

Poland, which owes \$10.2bn to the commercial banks, is waiting a debt reduction agreement comparable to that reached with the Paris Club of western governments earlier this year. Under that accord, Warsaw was granted a 50 per cent net forgiveness on its \$30.1bn debt.

Poland suspended interest payments to the western banks in the autumn of 1989, and interest arrears alone now amount to some \$1.1bn. Last month, however, it made a \$100m interest payment to the banks despite the fact that talks stalled last summer.

Mr Sawicki's resignation could delay bilateral agreements with western governments. At the moment, the Paris Club is awaiting the outcome of talks between the International Monetary Fund and the Polish authorities. The IMF is in the process of rewriting three agreements with Poland after the government asked to fulfil its performance criteria in the first half of the year.

New targets were provisionally agreed with IMF negotiators at the beginning of last month. However, the Fund is waiting for controversial budget spending cuts to be passed by parliament before giving its final verdict. Indeed, a new letter of intent has yet to be signed and sent to Washington by the Poles.

Philips wins approval for computer division sale

THE European Commission has waved through the planned sale of the core of Philips Electronics' loss-making computer division to Digital Equipment Corporation (DEC) of the US, following a one-month inquiry, writes Andrew Hill in Brussels.

DEC's acquisition of the bulk of Philips' information systems division for an undisclosed sum was announced at the end of July. It should increase the US company's presence in the European market for computer systems for small and medium-sized companies.

The Commission's merger task force paid particular attention to the market for small multi-user computers. DEC will be the market leader in Europe following the acquisition, but the Commission decided that the presence of IBM, Siemens/Nixdorf, Unisys, Bull and AT&T/NCR would guarantee competition.

The Commission also said yesterday that most of the proprietary product lines being developed by Philips' information services division were near the end of their life, so DEC was not buying itself a dominant market position.

Kurdish rebels blow up train

By John Murray Brown in Ankara

KURDISH separatists on Monday blew up a train in eastern Turkey, in one of the most daring attacks in their seven-year struggle for independence.

The explosion on the line near the town of Mus marks a heightening in tension after the kidnapping at the weekend of five western tourists near Mount Ararat on the Soviet border by the rebel Kurdish Workers Party, the PKK.

The semi-official Anatolia news agency reported that six people were injured when the goods train was derailed. Two gendarme officials were killed in the follow-up operation by security forces.

The train attack raises the prospect that the PKK may also try to sabotage the forthcoming elections. The ruling Motherland party has traditionally relied on local landlords to muster support for its candidates.

But anti-government sentiment is rising following Turkish attacks on PKK bases in northern Iraq.

Commission to propose offer to former Soviet bloc nations

Brussels opens its arms to the east

By David Buchan in Brussels

THE European Commission is today expected to propose a big extension of the EC's relations with eastern Europe, from the Balkans to the Baltic.

Spurred by events in the Soviet Union, the EC executive body is to put before a special meeting of EC foreign ministers on Friday a raft of proposals for closer ties with eastern Europe.

These will include trade concessions to bring to a speedy conclusion negotiations on association agreements with Poland, Czechoslovakia and Hungary; extension of similar associate status to Romania and Bulgaria; and opening trade talks with Albania in the south and the three Baltic states in the north.

Mr Frans Andriessen, the external affairs commissioner, is also giving his support to proposals by the leaders of Poland, Czechoslovakia and Hungary that they be admitted to the regular foreign policy discussions of the twelve EC member states.

Mr Andriessen sees this request, addressed to the Dutch presidency of the EC Council of Ministers, as a response to the idea he has publicly floated for countries to be given affiliate EC status before their economies are ready for full membership.

Dogging months of negotiations on association with the EC have been complaints by Poland, Czechoslovakia and Hungary at EC protectionism

against the agricultural, textile and steel products that central Europe has the best chance of selling in western Europe. Many commissioners now hope to exploit new-found political concern about eastern Europe to overcome the opposition of the farm lobby.

Mr Andriessen believes that Romania and Bulgaria, already recipients of the Group of 24 western industrialised donors, are now politically and economically fit to be considered for association agreements of the type on offer to central Europe.

Relations with Albania have only just been normalised, but the Commission wants to extend western G-24 aid to Tirana jointly with the United

Nations Development Programme.

Preliminary discussions with the Baltic states will open next Monday when Mr Andriessen meets representatives of the three governments in Tallinn.

● The West should consider a special payments mechanism to revive trade among the countries of the former Soviet bloc and integrate them into the world economy, French Finance Minister Pierre Bérégovoy said yesterday, Reuter reports from Paris.

He said the European Payments Union, established in conjunction with the Marshall Plan to revive west European trade after World War Two, could serve as a model.

Finnish PM cautious on EC membership

By Robert Taylor in Stockholm

THE FINNISH government is studying whether the country should apply for membership of the European Community, Mr Esko Aho, the prime minister, said yesterday. However, he made clear that Finland still hoped that negotiations between the EC and the European Free Trade Association on a 15-nation European Economic Area would be successful.

The talks are due to resume this weekend in Helsinki. Mr Aho said two questions regarding EC membership were more important than any others: whether the Community would have a common security policy, and its economic objectives.

"Neither I nor anybody else can have any ready answers,"

he admitted. But he went on to say that Finland's "national success has been achieved by our ability to manage our own affairs".

The emergence of a functioning market economy just over Finland's eastern frontier, said Mr Aho, would place the country in a strong position internationally. He was looking for greater co-operation between

Finnish individuals and companies and different parts of the Soviet Union.

"Our existing treaty arrangements must be reassessed in the light of these developments," he said. Since 1948 Finland's relations with its giant neighbour have been determined by an agreement signed with Stalin covering trade and political questions.

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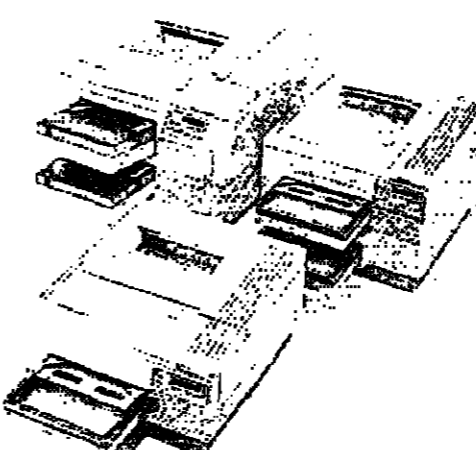
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INTERNATIONAL NEWS

Seoul to allow 10% foreign holdings

By John Ridding in Seoul

FOREIGN investors will be allowed to buy up to 10 per cent of the shares in most South Korean companies from the beginning of next year, according to final market opening guidelines announced yesterday by the country's finance ministry.

The guidelines, which were largely in line with expectations, allow for only a gradual opening of the country's stock market. The market, which is capitalised at about \$110bn, is the fifth largest in Asia.

The 10 per cent limit on foreign investment will apply to all companies listed on the stock exchange other than public utilities or strategic industries. Companies engaged in these areas, such as Posco, the country's largest steel company, will have a foreign ownership limit of 8 per cent.

Other companies, which are barred by Korean law from having foreign investors, will remain off limits. This restriction will apply to Kepco, the

South Korean business leaders yesterday attacked the government's proposed budget for next year, condemning it as inflationary and calling for a spending freeze. John Ridding reports.

The proposed budget, which plans a 24 per cent rise in spending to Won33,500bn (\$45bn) is currently being discussed by the ruling Democratic Liberal Party before being submitted to the national assembly.

But it is facing growing criticism because of concern about South Korea's rising rate of inflation. Consumer prices increased by 8.3 per cent in the first eight months of the year, the highest rise for 10 years.

Several of the country's most powerful business groups, including the Federation of Korean Industry, the Korea Chamber of Commerce and Industry and the Korean Employers' Association, attacked a plan to raise civil service salaries by 12.4 per cent.

state electricity company.

Foreign securities companies in Seoul said that the guidelines still left a number of important questions unclear. For example, the announcement failed to clarify whether

"This violates the government's own policy of keeping wage increases below 10 per cent," said an FKI official. "It will make it much harder to restrain pay awards."

The government argues that a sharp increase in government expenditure is necessary to improve the country's infrastructure. It is implementing ambitious plans for roads, railways, ports and power stations in an attempt to alleviate traffic congestion and to increase energy supply.

It pledged other steps to reduce the rate of inflation and to keep consumer price rises within its target of 10 per cent for the year.

Mr Choi Guk Kyu, the deputy prime minister and minister for economic planning, said yesterday that inflation would be tamed by maintaining the growth of the money supply at between 17 and 19 per cent for the rest of the year and by cooling the boom in the private construction sector.

strategic foreign investments such as the 10 per cent of the shares in Kia Motors which are held by Ford of the US - will count towards the foreign ownership ceiling.

"The guidelines provide a

certain broad framework," said Mr Philip Smiley, chief representative of Jardine Fleming, one of the four foreign securities companies given permission to set up a branch in Seoul. "But there are still a

number of technical issues which must be resolved prior to market opening."

These include the procedures for dealing and commission arrangements and the practicalities of repatriating profits and dividends.

According to the guidelines, the ceilings on foreign ownership will include existing Euro-market issues such as convertible bonds, country funds and bonds with warrants. The only exclusions will be for unit trusts and recently issued matching funds. These have a combined value of about 0.7 per cent of the Korean market.

Foreign brokers estimate that between \$2bn and \$4bn of foreign capital will flow into the Korean market in 1992. The market, which saw dramatic growth in the late 1980s, has slumped since then. It is one of the few Asian markets to have fallen this year, but is expected to recover as the date for market opening approaches.

WORLD TRADE NEWS

Philip Morris in \$480m Turkish venture

By John Murray Brown in Ankara

PHILIP Morris, the US cigarette maker, already the largest private buyer of Turkish tobacco, yesterday won government approval for a \$480m (\$285.7m) joint venture investment to produce its Marlboro brand in Turkey.

The deal represents Turkey's largest single investment this year and further reduces protection for local producers. It also takes considerable pressure off Turkey's balance of payments, given substantial cigarette import costs.

The decision follows Ankara's liberalisation of the tobacco sector in May, which paved the way for investors to price and distribute their own products and import tobacco for blend studies until now handled by Tekel, the state tobacco monopoly.

BAT Industries of the UK and the American company R.J. Reynolds are in talks with the Turkish investment board and are expected to follow suit.

Turkey is the world's sixth largest tobacco grower. Domestic consumption is growing at about 2.5 per cent a year and stands at 77,000 tonnes a year.

Turkey's tobacco sector has attracted little foreign interest hitherto, largely because of Tekel's domestic monopoly. Rothmans set up a small investment in Bitlis in Eastern Turkey in 1987 to produce the local best brand.

High import tariffs and the development of locally-made American blend cigarettes had given Tekel an apparent unassailable position in the local market, where it controls some 80 per cent of sales.

Under the new rules, a company is still required to install a fully-integrated factory, a disincentive to the small investor. Investors will also only be allowed to import brands they already produce locally.

At full capacity, the Philip Morris plant will produce around 30,000 tonnes, the equivalent of 30bn cigarettes a year.

Taiwanese in Nicaraguan logging row

By Tim Coone

A ROW has broken out in Nicaragua over plans to grant a large timber concession to a Taiwanese company, for export of tropical hardwoods.

A letter of intent was signed last week between the Nicaraguan government and Equipe de Nicaragua, a subsidiary of Equipe Enterprises of Taiwan, for initial studies leading to a 20-year, 926,250-acre concession, to cover an eighth of the country's forests.

The decision has renewed argument over whether the central government or two semi-autonomous regional councils should control exploitation of natural resources on Nicaragua's Atlantic Coast, where the concession has been granted. Mr Ray Hooker, a Sandinista opposition congressman, has claimed the government is "mortgaging the future of our country for a few dollars".

Mr Jaime Incer, director of the government's natural resources and environment institute, said the Taiwanese would use "sustainable" logging techniques that would not destroy the forest. There exists no concession in the traditional sense of "pay me so much and take what you want," Mr Incer said.

Nicaragua has been eager to attract new foreign investment without which its economic stabilisation plan will have little chance of long-term success. The Taiwanese have so far been the only big overseas investors to express interest in projects in Nicaragua. Talks on a \$60m (\$35.7m) textile project in Managua are at an advanced stage.

The Taiwanese are thought to be boosting their investments in Central America with a view to gaining a foothold in a regional common market, at present under negotiation, eventually embracing other Central American countries, Mexico, and even the US and Canada.

Equipe said initial investment would be \$15m over the first two years of the concession, to create 4,000 jobs. It would be obliged to reforest 494,000 acres on the Atlantic coast.

PORTUGAL has awarded contracts jointly worth over \$250bn (£198m) to build and manage three regional natural gas distribution pipelines, Patrick Blum reports from Lisbon. The programme involves building a liquefied natural gas

MILITARY-RELATED TECHNOLOGY

Japan reviews its feedback to US

By Robert Thomson in Tokyo

THE Japanese government is reviewing the flow of information back to the US on developments in military-related US technology.

The technology is improved by Japanese corporations, working under licence. Japan is sensitive to US Congress criticism that the US military has become over-reliant on foreign suppliers for high technology, and that some of these suppliers were slow to respond to US needs during the Gulf war.

Senior Japanese Defence Agency officials indicated yesterday that they would use a regular bilateral meeting later this month to emphasise that Japanese companies are willing to transfer information on refinements made to US technology.

The two countries have an agreement for joint develop-

ment in five military-related areas, including ceramic engines and rocket technology, while Japanese companies have various other research projects designed to upgrade US aircraft and missile technology.

Defence Agency officials expect the US will raise the unauthorised exports of Iran of missile parts and aircraft electronics by one Japanese company. These exports were used to upgrade US-made technology used by the Iranian military.

"We realise that the US has some concerns about technology development and we will do our best to make sure they have access to the latest technology. We are aware they want more information about advancements by Japanese companies," a Defence Agency official said.

When protecting ideas can be an article of faith

MR Christopher Steffen is a man who suddenly got religion: three years ago, before he joined Honeywell, the large US manufacturer of controls, he knew or cared little about one of the hottest topics in international trade - the protection of intellectual property.

Now, however, he is a passionate advocate of a global agreement to safeguard commercial ideas.

The reason for his conversion is simple: a long-running patent dispute between Honeywell, where he is chief financial officer, and Minolta, the Japanese camera manufacturer, which will go to trial on September 19 in a federal court in New Jersey.

The case is important for Honeywell, which claims to have lost hundreds of millions of dollars in potential royalties. But the company maintains it is also important for the American high-technology industry as a whole, which the US government reckons is losing up to \$60bn (\$35.7bn) a year, through what it alleges as the international piracy of its ideas.

Mr Steffen argues that technological ideas are one of the US's few remaining areas of comparative industrial advantage and that "if we don't pay attention, we're going to throw away an investment of a couple of hundred years".

He Minolta suit, he says "puts a stake in the ground and shows we're not going to roll over and play dead". The case revolves around the invention in the 1960s and 1970s by Mr Norman Stauffer, a Honeywell employee, of autofocus technology for single lens reflex cameras.

The company had a photo products division when this work first began and, although that has long since been sold, the company holds about 60 patents relating to the technology.

Honeywell signed so-called "advance disclosure agreements" with several Japanese companies in the late 1970s, giving them information which would allow them to incorporate its invention in their cameras. The company claims in its suit that Minolta engineers involved in this project set up a secret parallel programme designed to develop a substitute to the Honeywell process and thus avoid royalty payments.

Minolta was the first company to introduce autofocus cameras, which it did in 1985 with its popular Maxxum 35mm model, and its lead has since been followed by many other Japanese companies, including Canon, Nikon, Pentax and Olympus, which Honeywell argues may also have violated its patents.

Minolta is declining to comment ahead of the hearing, beyond saying it is confident Honeywell's claims will be rejected by the court. But last year, when Honeywell took its complaints before the International Trade Commission in Washington, Minolta insisted it did not use Honeywell autofocus technology in any of its cameras and said the US company's charges ignored "the long history of autofocus camera development, including significant breakthroughs by Minolta".

If Honeywell wins its suit,

the financial impact on the two companies would be substantial. Minolta's sales of autofocus cameras are estimated by Honeywell to be running at about \$1bn a year in the US alone, and the alleged patent infringements date back to the mid-1980s, representing a very large stream of potential royalties. The US group would follow up a New Jersey victory with suits against the 15 other Japanese companies with which it is in dispute.

The climate for pursuing patent cases in the US has improved markedly over the past decade. Plaintiffs used to be viewed suspiciously by the courts, as potential monopolists. However, the Reagan administration established a special federal patents appeals court in Washington in 1982 which has done much to ensure uniform standards in patents cases.

'The Minolta suit puts a stake in the ground and shows we're not going to roll over and play dead': Martin Dickson reports

While the court denies it, the legal profession says statistics suggest that a patentee's chances of winning a suit have improved significantly in recent years. At the same time, there has been a sharp increase in the value of damages awarded.

Congress has also helped, with a 1988 amendment to section 337 of the Tariff Act of 1930. The Tariff Act allowed US manufacturers to petition the International Trade Commission to ban the import of products they claimed infringed the patents.

The amendment extended this right from manufacturers to include companies which had made a substantial investment in the development of a technology or a significant effort to license it.

Honeywell used this amendment in its fight against Minolta, which had been dragging through the courts since 1987 and might not reach trial before the US company's patents begin to expire in 1992. It applied last year to the ITC for an import ban, explaining to the court that it was doing so out of frustration at the legal delays. That in turn prompted the judge in the patent case to expedite the hearing this month.

Mr Steffen argues that its success with Section 337 underlines the need for an international framework to protect intellectual property which will include controls on the import of goods utilising ideas US companies claim as their own, and a mechanism for speedy resolution of disputes.

Measures along these lines, together with common standards for intellectual property rights, have been a key element of the Uruguay Round of trade liberalisation measures proposed under the General Agreement on Tariffs and Trade. However, with the fate of the Gatt round still very murky, so too are the chances of any intellectual property rights pact.

Lisbon awards natural gas contracts

PORTUGAL has awarded contracts jointly worth over \$250bn (£198m) to build and manage three regional natural gas distribution pipelines, Patrick Blum reports from Lisbon. The programme involves building a liquefied natural gas

terminal in Setúbal, south of Lisbon, a primary high-pressure pipeline to Braga in the north, and a gas-fired power plant near Oporto. Total investment is expected to be above \$250bn.

The northern region contract went to a consortium including Portugal's Gaz de France; the central region, to a consortium including National Gas, Petrolgas, and Italgas of Italy, which is also part of the southern-region consortium led by Setgas of Portugal.



New South Wales yesterday banned sales of semi-automatic weapons as 5,000 protesters rallied outside the state parliament. The ban followed eight deaths in a shopping centre massacre last month.

Moscow to keep Mideast line

By Hugh Carnegie in Jerusalem

MR Boris Pankin, the new Soviet foreign minister, said yesterday events in the Soviet Union would not disrupt plans for a Middle East peace conference in October co-hosted by Washington and Moscow.

Speaking to Israel Radio, Mr Pankin countered suggestions that the upheaval in the Soviet Union since the failed coup would at least delay progress towards peace talks. Although Washington has led the peace initiative it has leaned heavily

on Soviet backing to help bring the parties together.

"We will be going in the same direction as previously," Mr Pankin said.

But President George Bush has suggested the conference could still be derailed by differences over Palestinian representation. Mr Bush also said he did not think the process had been affected by what happened in Moscow. But he carefully avoided predicting the timing of what is planned as a

largely ceremonial conference, to be followed by a series of bilateral negotiations.

He said "the ball lies in other courts" - a reference to deep differences between Israel and the Palestine Liberation Organisation over who should represent the Palestinians.

Mr Yitzhak Shamir, the Israeli prime minister, said he was pleased Mr Bush's secretary of state, to return to the region shortly to try to resolve the issue.

Singapore businessmen shrug off election result

By Kevin Brown in Singapore

BUSINESS leaders in Singapore yesterday dismissed suggestions that overseas investment might be affected by the emergence of a parliamentary opposition in the general election last Saturday.

The ruling People's Action Party won 77 of 81 seats, but its share of the popular vote fell to 61 per cent from 63.2 per cent at the last election in 1988. Opposition parties won four seats, compared to one in 1988. Mr Goh Chok Tong, the prime minister, warned before the election that a fall in PAP support might cause a loss of

confidence among foreign investors, leading to economic decline.

However, most local and overseas business leaders said the lower PAP vote reflected a desire for a two-party political system, rather than a rejection of government policies.

Many also noted that Mr Chiam See Tong, leader of the opposition Singapore Democratic Party, supports government economic policy, including the PAP's emphasis on attracting foreign investment.

"The government is still in power and its basic plans for

the future are still intact. Unless there is a major change in policy which is to be signalled later, I cannot see anything to be unduly worried about at this stage," said Mr Toh Thian Ser, managing director of Ong and Co, a local stockbroking firm.

According to Mr Yasuhiro Kozuki, secretary general of the Japanese Chamber of Commerce: "Japanese companies think there is no change in the position of the government, and there will be no drastic changes of policy."

Mrs Joan Boyle, director of

the British Business Association, said there appeared to be no likelihood of dramatic policy changes, or of a loss of political stability. "Like the rest of the foreigners, most of [the British] think Goh Chok Tong is over-reacting."

"I don't think that what has happened is a destabilising factor. The government is pretty well ensconced here and there is no question of it being overturned overnight."

There were also signs that the government's concern over the fall in the PAP vote was waning following detailed analysis of the results.

Brigadier General Lee Hsien Loong, one of two deputy prime ministers, said there were signs that the opposition would act constructively.

Most newspapers have carried editorial comments since the election urging the government not to abandon the relatively liberal policy adopted by Mr Goh since he replaced the autocratic Mr Lee Kuan Yew, Brig Gen Lee's father, as prime minister in November. Mr Goh said after the election that he was considering "modifying" his style.

UK and China see HK airport deal as basis for co-operation

By Philip Stephens, Political Editor, in Beijing

BRITAIN and China yesterday characterised differences over the construction of new international airport in Hong Kong as the start of a new phase of co-operation over the transfer of the colony in 1997.

In a joint communiqué released after the formal signature of the memorandum of understanding by Mr John Major and Mr Li Peng, prime ministers of the two countries, the two sides indicated that they had resolved a number of other outstanding issues during the transition period.

Those issues included the creation of new court of final appeal in Hong Kong and provision for Hong Kong to sign investment protection agreements with other nations. The governments also agreed to accelerate work in the joint liaison group set up under the Sino-British declaration of 1984, buttressing its work with twice-yearly meetings of foreign ministers.

As a result, the communiqué said, "both leaders expressed their confidence in the future success of Hong Kong as an international economic, financial and trading centre". The careful phrasing,

however, did little to disguise the realising differences between Britain and China over the degree of influence which Beijing should wield in the run-up to 1997.

In his remarks at the signing ceremony Mr Li Peng indicated that he saw the airport agreement as the basis for increased "understanding and mutual accommodation" over Hong Kong during the next six years. Mr Major endorsed the need for co-operation but added pointedly that before 1997: "There is no question of the Chinese government seeking any veto, condominium or joint administration."

The communiqué glosses over that underlying power struggle by speaking of the wish of both sides "to intensify their co-operation over Hong Kong issues in the approach to 30 June 1997 and to develop their bilateral relations".

It adds that to ensure Hong Kong's long-term prosperity and stability, "the two governments would make joint efforts to accelerate work in the joint liaison group" in order to complete the work set out in the joint declaration. They would give higher priority to the work of the

group, if necessary increasing the numbers of its participants and the frequency of its meetings.

The communiqué says that "tangible results or substantial progress" have been made on a range of subjects: Hong Kong will open negotiations to conclude its own investment promotion and protection agreements with certain leading trading partners.

The two sides have agreed in principle on the early establishment of a Court of Final Appeal. Experts will meet soon to resolve the remaining points of detail.

The two sides will work towards "very early agreement" on the future of land in Hong Kong currently used for military purposes. The Chinese side of the Sino-British Land Commission will give early agreement to the proposal of the Hong Kong government that the Colvin House site be used to build a future British consulate-general.

Mr Douglas Hurd, the UK foreign secretary, has invited Mr Qian Qichen, his opposite number, to visit London for the first of the six-monthly rounds of high-level talks.

If you don't come to grips with environmental legislation you could go out of business.

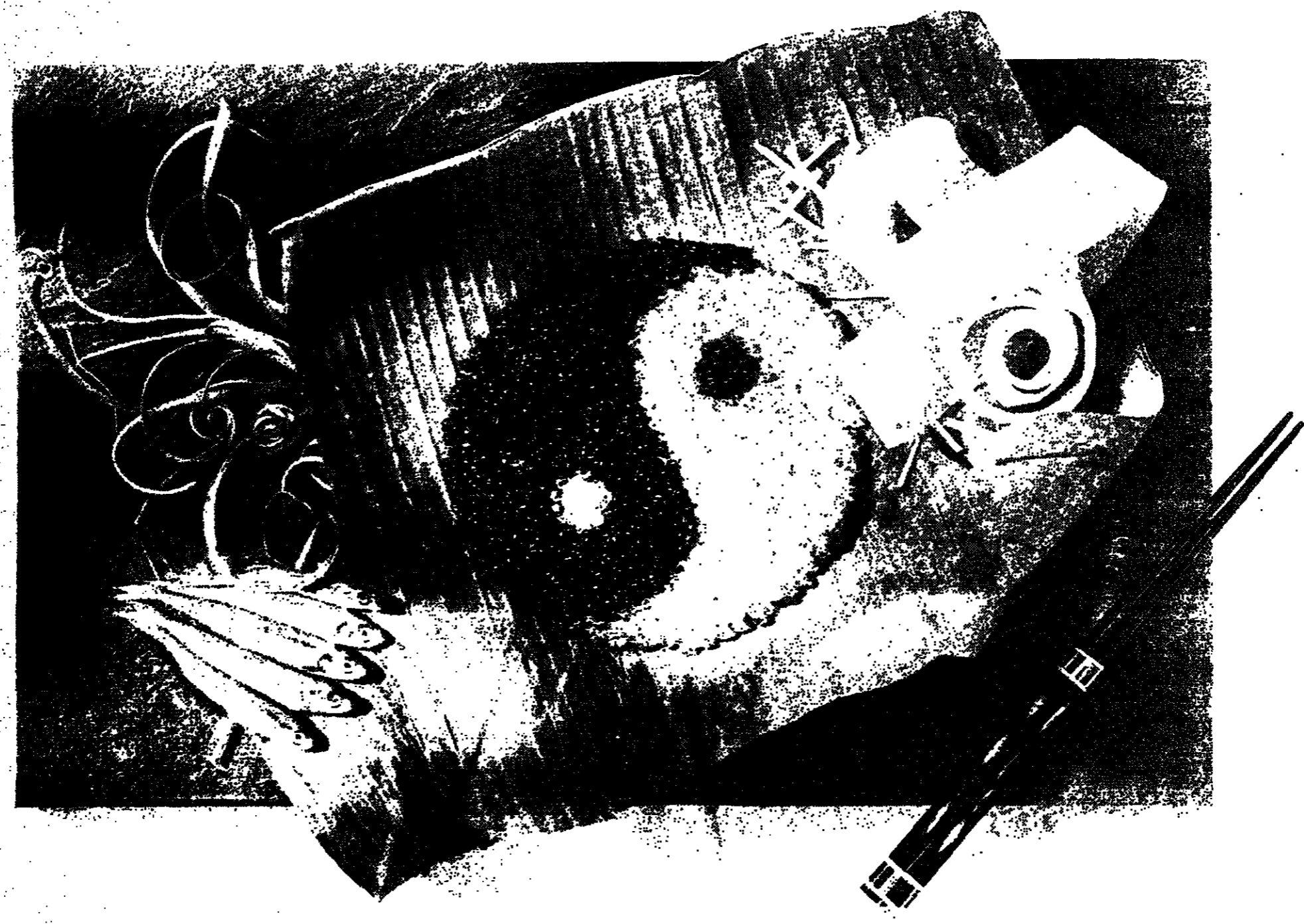
Business now faces a tightening band of environmental legislation that will have a marked effect on your business. Manchester Business School has designed two courses that will enable business people to identify these critical issues and the types of response that can help you achieve a competitive edge based on environmental performance. A 1-day seminar entitled 'Meeting The Challenges of Environmental Legislation', aimed at senior managers, takes place on the 16th October 1991. A 5-day residential course entitled 'The Key Role of Environmental Issues in Strategic Planning', considers strategic responses to environmental problems. Both are run in association with The Environment Council's Business and Environment Programme.

For further information contact: Dr Nigel Roome, Manchester Business School, Booth Street West, Manchester M15 6PB. Tel: 061 275 6460 Fax: 061 273 7732.

MANCHESTER BUSINESS SCHOOL

دکتر احمد لعل

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It's a well-known fact: some Asian countries are among the world's leading economies.

The success of the Confucian philosophy in the computer age.

Looking closer at the causes, one of the first things that springs to mind are the teachings of Confucius, dating back over 2,500 years ago - a school of thought which laid the groundwork for an unusually favorable economic environment.

The foundation for success has been built on an uncompromising recognition of competence, the importance of getting a good education, and especially the individual's profound feeling of being at one with both society and his employer.

It goes without saying that such strengths, which have evolved over generations, also involve duties. For in order to sustain the climate of harmony, each individual is expected to comply with various, and at times subtle, rules of behavior.

To take an example: those much-beloved and protracted business dinners are not designed primarily as a medium for business negotiations.

But by fostering a state of harmony and creating the correct atmosphere, they do help one successfully conduct business.

If in the course of negotiations you are confronted with a situation where you could in some way cause your counterpart to "lose

face," you should refrain from persisting even if you are clearly in the right. You can expect this demonstration of good will to be met with grateful recognition, even if none of those present openly show it.

By behaving in this way, you will have by no means lost influence. On the contrary, you will have shown that you have taken to heart the most important rule of conduct: always permit your counterpart to save face in a dignified manner. And by doing so, you will also further your own interests.

Business in Asia requires patience and time. But once accepted, you'll always be accepted.

Dresdner Bank has been an active and respected member of the Asian business

scene for many years now, with nearly five hundred committed professionals - both western and eastern - serving customers with their experience and expertise.

Our customers know they can rely on us to help bring their interests into harmony with the various Asian markets, each with its own particular local business customs.

And yet, every day even we still learn something new.

That is how it should be. For, in the words of a Chinese proverb, continually striving to secure longterm success is more important than "quickly plucking a feather from a passing goose."

Striving for harmony as a formula for competitive success.

Dresdner Bank



AMERICAN NEWS

Democrats believe performance at home is president's Achilles' heel

Bush turns spotlight on US domestic agenda

By Lionel Barber in Washington

PRESIDENT George Bush, conceding that US schools "are in trouble" yesterday launched a campaign to deflect Democrat charges that he is more interested in solving problems abroad than at home.

In a speech in Maine, en route to Washington after a month-long holiday dominated by the Soviet crisis, Mr Bush cast himself in the role of an "education president" committed to raising standards in schools.

In the next four weeks the White House has scheduled trips to at least 10 other states to show that Mr Bush has a domestic agenda on which to contest next year's election. The focus will be on education, as well as the administration's crime and transportation bills.

Democrats led by Mr Richard Gephardt, House majority leader, believe domestic issues are Mr Bush's Achilles' heel.

Turning to education yesterday, Mr Bush seized on last week's news that scores in the verbal scholastic aptitude tests - a broad, national measure of performance at high school - had fallen to their lowest level since 1983.

The figures showed that, although the percentage of US students who score highly has remained consistent for a decade, the low scorers are falling further behind.

Some educational experts warn the system is creating an "educational elite" and an "underclass of students" in high school.

Individual states, rather than the federal government, bear most of the burden of running and funding schools. Mr Bush has avoided promising more federal money, relying

instead on the "America 2000" programme - a joint effort with state governors to set education goals to be achieved by the end of the century.

Although Mr Bush was preoccupied with foreign affairs during his holiday, he held several less publicised sessions with his top domestic advisers, including Mr John Sununu, White House chief of staff, and Mr Richard Darman, budget director.

The White House intends to promote the administration's own domestic agenda more aggressively in coming months. Crime, law-and-order and anti-drugs rhetoric will all feature, but Mr Bush is also likely to use his five-year, \$105bn surface transportation proposal to argue that he is concerned about crumbling infrastructure in the US.

August's level, however, this would be consistent with real growth of about 1.4 per cent for the full year.

The rise in the index was fuelled by the fourth consecutive monthly increase in new orders. New export orders also continued to grow.

Separately, the Commerce Department said construction spending rose by 1.6 per cent in July to a seasonally adjusted annual rate of \$404.9bn (\$241bn), the first increase since April.

However, spending was still 10.6 per cent lower than a year earlier.



George Bush: held sessions with domestic advisers

Sharp increase in US orders

By George Graham in Washington

US manufacturing continued to revive last month as new orders increased sharply, according to statistics published yesterday by the National Association of Purchasing Management (NAPM).

The purchasing managers' index, which provides a widely watched early measure of the industrial economy's health, rose to 54.8 per cent in August, its highest level for nearly three years.

This was the third consecutive month in which it stood above 50 per cent, indicating the manufacturing economy is expanding.

Government economic statistics in the last few weeks have given contradictory signals of the health of the US economy, but the purchasing managers' index provides support for estimates that the economy is now recovering reasonably strongly from recession.

Mr Robert Bretz, chairman of the NAPM, said his association's index had averaged 45.1 per cent for the first eight months of the year, which past experience showed would be consistent with a growth rate of only 0.4 per cent in the whole economy.

If the index remained at

August's level, however, this would be consistent with real growth of about 1.4 per cent for the full year.

The rise in the index was fuelled by the fourth consecutive monthly increase in new orders. New export orders also continued to grow.

Separately, the Commerce Department said construction spending rose by 1.6 per cent in July to a seasonally adjusted annual rate of \$404.9bn (\$241bn), the first increase since April.

However, spending was still 10.6 per cent lower than a year earlier.

Argentine industry signs pact

ARGENTINE'S government and industry have signed an agreement to reduce costs and increase production, in a bid to stabilise the economy, writes John Barham in Buenos Aires.

Announcing the accord, President Carlos Menem said the watchword was "invest, invest, invest".

The agreement calls for the government gradually to abolish regressive taxes, bring energy prices in line with the international market and continue deregulation of the economy, while industry promises to increase output and employment without raising prices.

● Inflation in August rose 1.3 per cent, the lowest increase in 20 years, the government said yesterday. The annualised rate fell to 144.5 per cent.

Officials were heartened by a 0.4 per cent decline in wholesale prices, but said cartels were stopping the fall from filtering down to the rest of the economy.

State governors reject Collor plan

By Christina Lamb in Rio de Janeiro

PRESIDENT Fernando Collor de Mello of Brazil has failed to secure support from the country's 27 state governors for a proposal to change the constitution radically.

The government believes the constitutional amendment is essential for it to reduce federal expenditure and bring inflation under control. Mr Collor had hoped that by offering to roll-over \$57bn (\$33.9bn) owed by the states, he could secure the governors' help in persuading their party men in Congress to vote the project through.

The presentation of the amendment to Congress, scheduled for next Tuesday, looks likely to be delayed after a week of talks with governors and planning secretaries broke up with no agreement.

Mr Frederico Mazzuchelli, secretary of works for São Paulo, Brazil's largest state, said yesterday: "We have completely dismissed the idea of linking state debt to political support. The amendment is a political matter for Congress to discuss, while rolling over of state debt is a technical matter to be discussed between the federal and state administrations."

Many states are angry too at the idea of negotiating their debt as a bloc, given the disparity in incomes and indebtedness. Only four states are solvent - Santa Catarina, Paraná, Ceará and Espírito Santo. But three large debtors - Rio de Janeiro, São Paulo and Minas Gerais - have considerable income-generating capacity and are less threatened by the

situation than those such as Piauí and Maranhão, which have heavy debts and low incomes.

The states' decision is a setback for the government, which hoped to put the amendment before Congress quickly to meet conditions for an agreement with the International Monetary Fund which included a recommendation for constitutional reform.

The government will now intensify contacts with political leaders in Congress. But the most crucial points of the amendment, such as ending guaranteed job stability for civil servants and opening up restricted sectors such as mining and telecommunications to foreign investment, are unlikely to be passed.

Brazil seeks to come in from the cold

Policymakers want to end financial isolation, writes Christina Lamb

BRAZIL'S economic policymakers are attempting to end the country's international financial isolation which has persisted since it suspended payments on its foreign debt, in July 1989.

New hopes have emerged of an agreement with the International Monetary Fund, and Brazil's recent proposal for rescheduling its \$52bn (\$30.9bn) medium- and long-term commercial debt has been greeted as realistic by surprised creditors.

"What you are seeing now is a realisation that we have to be a part of the world," Mr Arminio Fraga, international director of the central bank, explained yesterday.

Thus while economic news at home worsens daily - with inflation rising to more than 15 per cent last month - nearly all senior officials of Brazil's Economy Ministry and central bank are abroad negotiating with foreign institutions.

Mr Roberto Macedo, the chief economic policy secretary, is in Washington this week for talks with the IMF. Negotiations with the fund for a standby facility reopened in June after a letter of intent signed last year was torn up when the government failed to meet economic targets.

A new agreement is vital as a guarantee before creditor banks agree on a restructuring. Brazilian officials say they hope for a new letter of intent by the annual IMF meet-

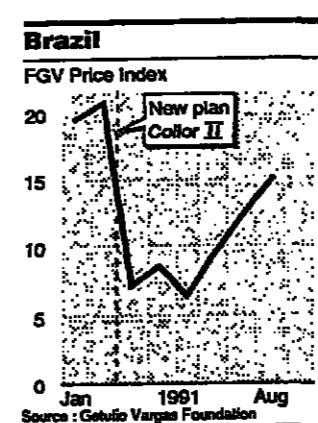
ing in Bangkok next month. Mr Fraga said yesterday: "We're not going to shoot for an extended fund facility but we hope to get an 18-month agreement for more than \$1bn which we could subsequently turn into an EFF." An EFF programme usually lasts for three years.

Brazil is hoping through credits from Japan to augment the collateral needed to back the concessional Brady bonds which it proposes to offer to banks as part of its debt proposal.

Mr Marcilio Marques Moreira, economy minister, arrived in Tokyo yesterday to sign a loan agreement for \$478m - the first loan from the Japanese government since 1986. On Friday Mr Moreira will go to Paris for talks with Mr Jean Claude Trichet, president of the Paris Club of creditor governments, with which Brazil must also negotiate.

The flurry of overseas activity which leaves only two senior officials in the Economy Ministry in Brasília marks a radical change of strategy for the government of President Fernando Collor de Mello. It had previously insisted it had to resolve internal problems before beginning external talks, believing this would enable negotiation from a position of strength.

The administration appears to have at least half an eye on the success of Mexico, whose debt restructuring deal - consisting of more than \$8bn in past due interest until April.



the backdrop for increasing confidence in the country's economic prospects.

Senator Roberto Campos, a former planning minister, said: "Brazil has belatedly realised that playing the tough guy just irritates people and brings no benefit and that there is a link between internal and external adjustment."

However, an adviser to Mr Collor has a different explanation: "The president is fed up with being seen on his travels abroad as the man who doesn't pay his bills."

The change in the Brazilian stance was made possible by a replacement of Brazil's entire economic team in May and the appointment of Mr Moreira in place of the confrontational Ms Zelia Cardoso de Mello, who had infuriated bankers with her aggressive manner, delaying an agreement on the repayment of more than \$8bn in past due interest until April.

Kevlar*, Nomex* and Tyvek*: Three lifesavers from Du Pont.

When Captain Brown and his men go into action, they have to be quick but cautious. Their task is to protect people and the environment, in particular against dangerous toxic substances, contaminated dust and similar hazards. Protective clothing can be a matter of life or death, in this job as well as in many others. For example, in bullet-resistant vests, or flame- or chemical-resistant overalls, KEVLAR and NOMEX III fibres and TYVEK spunbonded olefin play a vital role.



Chemical protective clothing made from TYVEK (Photo: Hoffmann-La Roche Inc.)

Tyvek also guards against invisible hazards. Protective clothing of TYVEK is used wherever people come into contact with toxic substances or aggressive chemicals. TYVEK is a non-woven fabric that acts as a barrier. Not even minute pollutant particles or bacteria measuring no more than half a thousandth of a millimetre can penetrate this highly dense material. Garments made from TYVEK not only keep out asbestos dust and other dangerous particles, but also provide effective protection against chemicals during crop spraying. In cleanrooms, protective clothing of TYVEK prevents particles given off by the

skin from contaminating work areas, where even the smallest amount of dust would be a problem in micro-chip production, for instance.

Very light and exceptionally tear-resistant. TYVEK is a spunbonded olefin material produced by a unique process from millions of ultra-fine polyethylene fibres. The result is a lightweight material that combines the finest properties of film, fabric and paper. It is water-proof, has high tensile strength, is tear-resistant and unaffected by a large number of chemicals.

No other material is so impenetrable, so strong, so light, yet breathable. Coated versions of TYVEK are available to suit requirements in terms of barrier performance

for specific toxic chemicals. Contact Du Pont for details from our permeation guide data book.

Nomex III - The fibre for fire-risk applications Whenever fire and heat are involved, time is of the essence. A protective garment of NOMEX III can provide protection against fire for a critical period.

NOMEX III is a blend of NOMEX meta-aramid and KEVLAR para-aramid. The inclusion of KEVLAR prevents the material from breaking open when exposed to flame, and thus the skin is protected longer from the effects of heat. This invaluable feature makes NOMEX III superior to other heat-and flame-resistant materials.

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Fireproof protective overalls made from NOMEX III.

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A policeman's protective vest made with KEVLAR.

NOMEX III has another major advantage: its flame resistance is retained permanently, unaffected by either frequent washing or wear. And since the material made from this fibre is as much as 40% lighter than flameproof

cotton for the same protective performance, garments made with NOMEX III are also more comfortable to wear.

To check the degree of protection afforded as accurately as possible, a special test manikin was developed by Du Pont. Known as the "Thermo-Man", it is 1.85 metres tall and has 122 sensors distributed over its entire surface to register temperature, quantifying pain thresholds and the critical point when burns first occur. Public authorities and organisations are relying increasingly on clothing made from NOMEX III in the UK.

The majority of professional firemen are equipped with NOMEX III. So are an increasing number in Germany. In Italy, all 25,000 members of the national fire service are equipped with protective garments made from NOMEX III. And many military aircraft pilots and car racing drivers wear overalls made from NOMEX III.

Kevlar - A milestone in fibre technology When KEVLAR was developed by Du Pont, it set entirely new standards in fibre technology.

Never before had a fibre been so light and yet so strong, as well as corrosion-proof, heat-resistant, self-extinguishing, non-magnetic and electrically non-conductive. And it retains its useful properties from -40°C to +180°C.

Du Pont has now developed its second generation KEVLAR, the "Hx" Series, with properties even more outstanding. KEVLAR is used, for instance, to make bullet- and fragment-resistant vests for police and armed forces, and cut-resistant jackets for fencers as well as industrial workers.

Innovative technology means progress. KEVLAR, NOMEX and TYVEK are produced by the Engineering Fiber Systems division of Du Pont, which also developed TEFLON, TYPAR, CORDURA and high-strength Nylon. From house and home to air and space, these products have opened up new perspectives in countless areas. Du Pont is one of the world's leading research-oriented companies, with 39 production plants and laboratories in Europe alone.

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TRANSPORT

Brel replaces chief executive as losses rise

By Richard Tomkins, Transport Correspondent

THE chief executive of Brel, Britain's highest-railway train manufacturer, has lost his job because of the company's failure to deliver trains to British Rail on time.

Mr Peter Holdstock, 60, who led the management buy-out of Brel from BR in April 1989, has been replaced by Mr Bo Soderstrom, a 53-year-old Swede with long experience in the railway equipment industry.

Mr Holdstock's departure is understood to have been prompted by Brel's plunge into losses resulting from the company's continuing inability to meet production schedules on new trains for BR.

The most serious delays have been with a new express train called the Class 158 which was supposed to have led to a leap in quality of ser-

vices on Regional Railways and ScotRail routes from September 1989.

Instead, timetables were thrown into chaos when production difficulties led to a year-long delay in delivery. Teething troubles with the new trains have caused further serious problems since they started entering service.

Brel has also fallen badly behind schedule on the production of a new class of suburban trains called the Class 165, destined for Network SouthEast's routes out of London's Marylebone station.

Mr Ian Forrester, Brel's director of personnel and business services, said the delays in deliveries meant sales income was falling to match the company's heavy outgoings on labour and materials for the new trains. He would not spec-

ulate on the expected losses this year, but acknowledged that they would mark a significant reversal from the pre-tax profits of £22.4m in the year to September 1990.

Mr Holdstock was managing director of Brel when it was the state-owned rolling stock manufacturing division of British Rail. He became chief executive on leading the buy-out which took Brel into the private sector in April 1989.

The buy-out was backed by Asea Brown Boveri, the Swiss-Swedish engineering group, and Trafalgar House, the British construction group. Each of these owns 40 per cent of Brel, with the remaining 20 per cent owned by the management and employees.

In the last seven months Brel has shed 1,650 jobs in two tranches - the second of them

just six days ago - in an attempt to bring costs into line with income and improve financial performance.

Mr Soderstrom's appointment appears to have been at ABB's instigation. Between 1980 and 1990 he was managing director of the Hagglund Group, an Asea subsidiary producing military and railway vehicles, hydraulic products and cranes.

Later he was chief executive of FTV Group, a Swedish government company making defence, aviation and electronic products.

● The private sector should be given the opportunity to build a freight-only railway line stretching from the Channel tunnel to Scotland, a report from the National Economic Development Council says today.

It warns that British indus-

try will suffer from higher costs, growing congestion and less reliable delivery times if the so-called rail spine is not built. The report, drawn up by the NEDC's construction industry sector group, says the opening of the Channel tunnel in 1993 will create the opportunity for more international freight to go by rail.

Continental Europe, it says, is already moving towards the use of combined transport, whereby freight loads are transferred from lorries to trains for the long-distance part of their journey.

But because Britain's railways lack the larger clearances of Continental-gauge railways, the report says, Britain is in danger of being excluded from this new European combined transport system.

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BRITAIN IN BRIEF



Benetton poster is 'offensive'

Benetton, the Italian fashion retailer, has been asked by the Advertising Standards Authority to withdraw an "offensive" nationwide poster campaign launched in the UK ten days ago. The poster, depicting a newborn, blood-smeared baby, had generated an unprecedented number of protests, the authority said: more than 800 complaints had been received. Benetton had been advised before the campaign that the poster, produced in Italy, was "likely to cause great offence" but the advice had been ignored.

Reserves rise \$71m in July

Britain's gold and foreign currency reserves showed a modest, underlying increase of \$71m last month, which was in line with market expectations of a \$100m rise. The Treasury said that the overall level of the UK's official reserves rose by \$60m to \$44.65bn at the end of August from \$44.59bn at the end of July.

Employment inquiries up

Employment inquiries to Citizens Advice Bureaux rose 9 per cent last year to 776,000, with a majority coming from part-time, non-unionised employees of small firms. The TUC and CAB called for changes to employment law to protect vulnerable workers - in particular to oblige employers of part-timers to issue them with written terms and conditions, and to abolish the two-year qualifying period necessary to lodge claims for unfair dismissal.

IMRO issues handbook

The Investment Management Regulatory Organisation, the self-regulatory body for the fund management industry, has published a revised rulebook which largely frees professionals from investor protection rules. The rules still apply to "private clients". IMRO is the first self-regulatory body to release a new rulebook intended to comply with the Securities and Investments Board's core rules. The rulebook has been tentatively approved by the SIB and takes effect from November 30.

THE BCCI SHUTDOWN Council officials criticised

TWO senior officials of the Western Isles Council are understood to be severely criticised in an independent report into the council's £23m loss in the closure of Bank of Credit and Commerce International.

The report by Professor Alan Alexander is believed to attack the roles of Mr George Macleod, the chief executive, and Mr Donald Macleod, the finance director.

The report was presented on Monday night to a council committee investigating the affairs of the council's chairman, yesterday said that she was "furious" that the report had been leaked. She added: "The person who leaked it is not worthy to be a councillor."

Hours before Monday's meeting, a source revealed that the 42-page report attacked Mr George Macleod's lack of leadership immediately after news of the loss was made public and for going home on the morning of a special meeting about the loss.

Mr Donald Macleod is thought to face criticism for the overall running of the council's finance department and for not revealing his relationship with a partner in a brokerage firm - although there is no suggestion of impropriety.

The Rev Donald Macaulay, the council convener, announced his resignation on Monday.

● PAKISTAN: The State Bank of Pakistan said yesterday there was some progress on the proposal by the Abu Dhabi-based Union National Bank (UNB) to buy the three BCCI branches in Pakistan.

UNB, formerly Bank of Credit and Commerce Emirates, sent the proposal to the state bank in July.



Police riot squads (pictured above) have clashed with youths in three British cities over the past few days. A power failure led to looting and attacks on police in Birmingham, England's second city. In Oxford police charged through a barrage of bottles to disperse 150 youths after two people were beaten up. In Cardiff 34 people have been arrested since Friday.

Disaster relief helpline

The British Red Cross has launched an information package designed to help local authorities set up future disaster appeals quickly. The Disaster Appeal Scheme offers the procedures and mechanisms to allow a trust to be established for public donations immediately in the event of an emergency.

Party launches new strategy

A financial strategy involving national savings and rapid progress towards European economic and monetary union has been launched by the Liberal Democrats. The document will be discussed at the party conference next week.

Fall in apprentices

The number of apprentices joining manufacturing companies in the engineering industry this summer has dropped by an average of about 30 per cent, the new Engineering Training Authority has said. The ETA said enquiries this June at a representative sample of engineering training centres suggested that the intake of craft and technician apprentices would fall by between 25 per cent and 50 per cent, with an average of about 30 per cent.

Mining inquiry is set up

An investigation involving British Coal, the mines inspectorate and the mining unions has been set up following an accident at a South Yorkshire colliery when a conveyor belt ran out of control in a tunnel 900 feet underground. A fleet of ambulances took 41 injured miners to hospital, although none were seriously injured. The 645-man pit, which produces 9,000 tonnes of coal a week, will resume normal operations later today when staff will walk the 970 metres to the work area. There were 163 men underground when the accident happened.

Fund group postpones issue

Public disquiet about the risks of investing in financial futures and options has forced Prudential Bilton, the UK's largest fund management group, to postpone its planned launch of a unit trust investing in the derivatives.

Harrods lifts pay freeze

Harrods is lifting a six-month pay freeze and awarding its 3,000-plus staff a 6 per cent pay rise with effect from October 1 after an upturn in sales.

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Nuclear reprocessing contract to be signed

By Juliet Sychrava

NUCLEAR Electric, the state-owned nuclear engineering and British Nuclear Fuels (BNFL), which sells and reprocesses nuclear fuel, will today announce what they claim is the biggest contract ever signed between two parties in the UK. The value of the contract will be announced today.

The agreement, which could mean a considerable cost savings for Nuclear Electric, is likely to involve some withdrawal from the company's long-term obligations to reprocess fuel from its advanced gas-cooled (AGC) reactors, at a time when the alternative of storing fuel on site is increasingly viewed as more economic and environmentally acceptable.

In August Mr James Mann, chairman of Scottish Nuclear, Nuclear Electric's sister company, said he viewed reprocessing as uneconomic and unnecessary, and in July the company submitted a feasibility study for on-site storage to the government.

The new contract follows more than a year of talks during which Nuclear Electric has tried to cut costs by replacing the cost-plus contract with BNFL, dating from the days of the Central Electricity Generating Board (CEGB) with a fixed price contract.

It is expected to cover the ten year period between the start-up at Sellafield of BNFL's new Thermal Oxide Reprocessing Plant (Thorp) in 1992, and 2002, as well as the purchase of around 1,600 tonnes of fuel. However, it is unlikely to make a full commitment to reprocessing beyond 2002, and may wait to see how Scottish Nuclear's dry storage proposal succeeds, industry and environmental group sources said yesterday.

Thorp was criticised as uneconomic in December last year but BNFL said yesterday it had contracts with German electrical utilities worth £200m for the second ten years of Thorp's life, and was close to concluding other agreements overseas.

Mr Ian Byatt, director general of the Office of Water Services (Ofwat), the industry's economic regulator, wrote to the managing directors of all 34 water companies in England and Wales telling them he would decide on the 1992-93 charging levels by October 31 and they should submit any additional relevant information to him by then.

A review of water company charges, based on the level of inflation, plus a factor known as K to take account of heavy investment commitments, is not due until 1994.

However, Mr Byatt has said he will review K factors this year because of the higher than expected profits and dividends announced by the companies.

The letter is the latest in a series of increasingly tough warnings from Mr Byatt to the companies on their dividend and diversification policies, and was seen by company chiefs as an attempt to bully them into voluntary cuts in charges for next year.

Mr Byatt also announced that tough new regulations have been agreed by water companies to ensure that customers are not affected adversely by any diversifica-



Isolated: Arthur Scargill, miners leader, saw his motion defeated in the week's most controversial debate at congress

TUC IN GLASGOW

Repeal of all anti-union laws is rejected

By Michael Smith and Lisa Wood

MR NEIL Kinnock, the leader of the opposition Labour party, yesterday greeted with relief a decisive trade union vote to reject left wing demands to scrap all the "anti-union legislation" introduced by the Conservative government since 1979.

The Trades Union Congress, meeting in Glasgow, instead gave overwhelming support to the party's policy of a more limited reform of employment laws.

Mr Kinnock said the votes would improve Labour's electoral chances. More important, he said, they signified an "attitude towards constructive industrial relations which is reciprocated by managers around Britain."

However, Mr Michael

Howard, employment secretary described yesterday's debate as a sham and said every section of the labour movement wanted a massive shift in power in favour of unions.

The debate on employment was the most controversial of the TUC congress week. Delegates voted 5.8m to 2.2m against the motion calling for repeal of all anti-union legislation which was proposed by Mr Arthur Scargill, president of the National Union of Mineworkers.

Mr Norman Willis, TUC general secretary, said passing the NUM motion would give comfort to "our opponents". He said it could be interpreted to mean the abolition of legal requirements for strike ballots and ballots for executive elec-

tions. "The public certainly won't accept that and poll after poll has told us that our members won't accept that either."

In its employment law reform plans, the Labour party has said it will keep legal requirements for ballots on industrial action and for elections of senior trade union leaders. However, it would restore the right to take sympathy action "where there is a direct interest between two groups of workers of an occupational or professional nature".

Mr Scargill said, in moving his motion, that the TUC should not abandon its principles on the false premise that it would be wrong to rock the boat and undermine a Labour

victory. It was far better to be open and honest "and say all laws should be repealed." He said he was not against ballots but he said unions should be free from state interference in the operation of them.

However, Mr Tony Young, general secretary of the National Communications Union, criticised unions which failed to give their full support to Labour.

"They detest this government, yet, unwillingly they may keep it in power by their insistence on continuing the argument over whether we should accept any legal regulation of union affairs. They provide our enemies in the media and the government with a stick to beat us."

Editorial comment, Page 16

Regulator gives tough warning to water companies on charges

By Richard Evans

WATER companies were warned yesterday that they should consider making voluntary reductions in their proposed charges for next year if they wish to avoid enforced cuts.

Mr Ian Byatt, director general of the Office of Water Services (Ofwat), the industry's economic regulator, wrote to the managing directors of all 34 water companies in England and Wales telling them he would decide on the 1992-93 charging levels by October 31 and they should submit any additional relevant information to him by then.

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Mr Byatt also announced that tough new regulations have been agreed by water companies to ensure that customers are not affected adversely by any diversifica-



Sir Bryan Nicholson

tion from the core businesses of supplying water and sewerage services.

All water companies in England and Wales have accepted proposed licence changes aimed at guaranteeing that the companies always have adequate financial and management resources for their core businesses.

The amendments, which come into effect immediately, require directors of the 10 privatised water and sewerage businesses and the 24 water-only companies to run the core services effectively.

They will also be expected to consult Mr Byatt when undertaking any significant diversification, although this is not a formal licence requirement.

The move is the strongest indication so far that Mr Byatt intends to be an aggressive champion of the customer by ensuring that the cash produced by companies providing core services cannot be dissipated on grandiose diversification schemes. It must stay in the core business to fund investment and relieve customers of the need to pay higher prices.

The announcement confirms that the water industry faces a far tougher regulatory regime than other privatised industries such as electricity, gas and telecommunications which do not have the same strict rules on diversification.

Mr Byatt said: "As the regulator, it would not be appropriate for me to take a general position against diversification. However, I am determined to ensure that the diversification activities of the pie can in no way harm the core business."

He added that customers must also recognise they could not expect to participate automatically in profits made in a diversified activity.

Prior to privatisation in late 1989 there was widespread concern at ambitious diversification plans proposed by many of the water authorities. In the event, diversification has been modest and has been targeted mainly at consultancy, engineering and waste management, all closely linked to core activities.

Lex, Page 18

Post Office considers reform of mail service

By Roland Rudd

THE POST OFFICE is planning a radical reform of its operations after the government's decision to erode its monopoly on letter delivery costing less than 21p.

Under proposals being discussed by the Post Office's supplying core services cannot be scrapped in favour of one standard service which would aim to achieve a quality of service provided by the present first class stamp.

Business users would be offered a premium service in competition with private couriers.

This would cost 35p an item and would guarantee a next morning service.

But the Post Office would reduce the current two daily deliveries to one.

Sir Bryan Nicholson, the Post Office chairman, in his first interview since the government announced its decision to reduce the letters monopoly, said yesterday the proposals enabled him to put forward his own plan.

He said: "The advantage of liberalisation is that it provides the public with a rationale for change. It is very difficult to explain changes when you are a monopoly; it is much easier when you are operating in the market place."

In July, Mr Peter Lilley, trade and industry secretary, announced plans to reduce the delivery charge under which the Post Office retained its monopoly to about the cost of a first class stamp - to be raised to 24p next week.



Ian Byatt

Liberalisation is expected to take place incrementally. Sir Bryan said he favoured reducing the letters monopoly in two stages.

He believes the threshold should initially be reduced to about 35p, to make sure that potential competitors did not threaten the Post Office's ability to provide a universal service by taking the most lucrative routes away from the corporation, and later to about the price of a first class stamp.

The government is also planning to increase the regulation of the industry through the appointment of a regulator. It would advise the government on whether any move towards competition threatened the Post Office's ability to provide a universal service.

Interview, Page 16

MANAGEMENT

Andrew Fisher explains why a German industrial group streamlined its activities

Rationalisation gives Linde a lift

For a company which is the world leader in one of its activities and among the top producers in others, Linde is surprisingly reluctant to blow its own trumpet.

When the German industrial group bought Lansing Bagnall of the UK three years ago, it became the world's biggest producer of fork-lift trucks. It is also a prominent producer of gases, industrial plant, and refrigeration systems.

None of these industries is particularly exciting. Nor do there seem to be any obvious links between them, though the company insists there are some synergies. So what makes Linde tick? More to the point, what makes it so profitable?

Based on the outskirts of Wiesbaden — the elegant capital of the state of Hesse, which also includes the much more bustling financial and commercial city of Frankfurt — Linde does not go out of its way to encourage publicity. "We have a restrained style," admits Hans Meinhardt, 60, the chief executive. "Firstly, we are not so big. And secondly, we want to gain attention through our performance and not through making lots of noise."

Its record is one of steadily improving results. Turnover has doubled in the past 10 years, with an 11 per cent rise to DM6.1bn (£2.1bn) in 1990, and a further gain of at least 10 per cent expected for 1991. Net profits were 14 per cent higher at DM212m (£72.1m) last year, though the rate of increase in 1991 will be less than that of turnover because of a heavy investment programme. In the second half, pre-tax profits were 5 per cent higher at DM236m, with turnover up by 13 per cent to DM3.1bn.

Under Meinhardt, chief executive for 15 years, Linde has streamlined its main activities, shed peripheral businesses, and expanded in both western and eastern Europe. By the time he took on the top job at the age of 45 in 1976, the company had

spread far beyond the original activity of ice-making and refrigeration equipment started by its founder, Carl Linde, a Munich engineering professor.

Meinhardt decided Linde was in too many areas of business. His thinking had been strongly influenced by a three-month spell with Raytheon, the US electronics company based near Boston. Tom Phillips, then the company's president, instilled some basic lessons into the young Meinhardt, who returned to Linde with firm ideas about its future.

Since Meinhardt took the wheel, Linde has sold off activities which produced around DM2bn of turnover. "We had more than 10 divisions. Now, we have only four." Among the businesses to go were machine tools, large refrigeration and air-conditioning units, diesel engines, and welding equipment. "Linde didn't look too good then," Meinhardt says of the time when he became chief executive. Through being in so many areas, it had lost its way. One lesson Meinhardt learnt from Phillips was that diversified companies had to be with the leaders in whatever activities they took part.

Another was that the businesses and products of such a group had to be large enough for its total size. There was no point in being in areas which took up too much management time for little reward.

Today, Linde's six-man board of directors is closely involved in operations, as well as taking care of strategic planning and financial controls. "We are a company where the management looks after the operations. We are not a conglomerate with a holding company at the top."

Linde only wants to be in areas which are technologically challenging and which its directors can understand. Meinhardt adds that the management board must also be no bigger than if Linde was a one-business company. Thus, each board member has responsibility for a function

such as development, production, marketing, or finance. Each division also has a director representing its interests at board level.

"We want short decision-making channels," says Meinhardt. Between 70 and 80 per cent of the daily decisions are made by the operational line managers. The remaining 20 per cent or so, including big investments and acquisitions, is for the board. The director responsible can sort out many issues himself or with the chief executive. Thus the full board only has to discuss the biggest policy moves and is not bogged down with detail or bureaucracy. Meinhardt stresses: "We are competing with companies which are only active in one sector. We have competitors which only make fork-lift trucks, or only produce gases, or only build industrial plant. And we want to be able to react just as quickly, competently, and flexibly as if we were only in one business area."

Meinhardt sees good prospects in all of Linde's sectors. In industrial gases, for example, it is spending heavily on new plant in east Germany and Czechoslovakia. At Lansing, an investment programme of more than £50m is under way. On the industrial plant side, Linde is building a DM1bn ethylene facility for BASF, the German chemical concern, in Antwerp; this is Linde's biggest ever contract.

In addition, the group wants to squeeze more profit from its divisions through better organisation, logistics, and rationalisation. The purchase of Lansing, for example, has led to a reshaping of Linde's industrial truck manufacture between its British, German, and French factories.

Because of the depth of the UK recession, Lansing's reorganisation is taking place at a rough time for the domestic materials-handling market. But the revamping is on schedule and last year's turnover at Lansing of around DM560m

should be repeated in 1991, with a rise to well over DM600m. In 1992, in 1994, the figure should exceed DM700m, with a return on sales of 7 per cent or more before tax, in line with the rest of the division.

Last year, the materials-handling division, including fork lift trucks and hydraulic machinery, accounted for just over half of turnover. But as other activities like gases and plant construction grow faster, this proportion will drop to around 45 per cent in a few years.

Linde is investing some DM200m in new gas plant and equipment in the east German chemical complex of Leuna. As the east German economy picks up — Meinhardt sees signs that this is beginning — demand for industrial gases there should rise sharply. In the meantime, it can supply the new eastern states from its present facilities.

A further DM150m is being invested in gas plant in Czechoslovakia. Thus, while industrial gases now account for 20 per cent of turnover, they should move up to 24 per cent, with process plant (now 16 per cent) and refrigeration (13 per cent) also improving their shares.

In all four of its sectors, Linde faces tough competition. The Japanese are the toughest most spirited rivals in fork-lift trucks, though it is also up against US and European producers. In refrigeration, there are numerous European competitors. Since industrial gases are too awkward to export, this market tends to be divided regionally. But the big European producers have pushed strongly into Germany.

Thus in all its activities, management agility will be at a premium. Linde is also alert for opportunities in the US, where its representation is weak and where the Japanese have over-run the industrial truck market. Self-effacing or not, Linde will certainly have to be aggressive in coming years.

Hans Meinhardt



Linde faces tough competitors in fork lift trucks from the Japanese

Report design: handle with care. *J. Longhurst in Accountancy (UK), Apr 91 (2 pages)*
Sets out the attributes of design which make a good annual report: reading encouraged, ease of information access, key messages conveyed. Examines the growth of design companies geared to produce improved presentation, and specified some recent successes.

Simulating ownership for line managers. *G B Stewart in Journal of Applied Corporate Finance (US), Autumn 90, (9 pages)*

Considers the use of economic value-added as a performance measure to encourage managers to become "owners" and to compensate them for

their efforts. Shows how EVA can be used as an incentive to improve performance through the use of two case studies at Coca-Cola and Applied Power (hydraulic/sensor technology).

Details how such a scheme should be separated from the budgetary and strategic planning process and how it can be financed.

Strategic transformation: the success of high-technology companies. *E B Roberts in International Journal of Technology Management (Switzerland), Special publication 1991 (22 pages)*

From a study of successful high technology companies in the greater Boston area of the US, attempts to identify the strategic actions needed to go

on from some degree of success to the realm of super-success — to go beyond "better" and become "the best."

Concludes that a market-oriented strategic transformation is crucial to super-success.

Changes in employee share scheme law. *D Cohen in the Law Society Gazette (UK), March 91 (2 pages)*

Reviews the changes in the funding of employee share ownership plans (Esops) and the newer employer share ownership trusts (Esots) brought about by the Companies Act (1989) and the Finance Acts of 1989 and 1990.

Competitive advantages in manufacturing through IT. *J D Goldhar and others in International Journal of Technology Management (Switzerland), Special publication 1991 (19 pages)*

Management abstracts

Journal of Technology Management (Switzerland), Special publication 1991 (19 pages)

Examines the dominant trends that characterise today's business environment — such as shortened product life cycles, fragmented markets and more rigorous quality standards — which militate against mass production strategies and demand more flexible production methods which can be provided by flexible automation and computer-integrated manufacturing.

The Rolls-Royce experience. *K Jones in Logistics Today (UK), Jan/Feb 1991 (2 pages)*

Briefly outlines the steps taken by Rolls-Royce to introduce the total quality concept to its management and staff. Emphasises the "top-down" approach; explains the use of a steering committee to launch the concept and how various other agents were used as it permeated through the organisation. Concludes that total quality is a journey rather than a destination.

Restructuring is a continuous process. *J F Bandrowski in Long Range Planning (UK), Feb 91 (5 pages)*

Explains why companies choose to restructure by concentrating on the core business and divesting those parts of the organisation that no longer fit with a new vision which is planned rather than being a short-notice, knee-jerk reaction. Cites reasons for restructuring and presents a five stage restructuring process for a multi-division company to undertake: profiling the business, developing a vision, determining the major moves, and rejuvenating, divesting and acquiring.

Changing the company culture. *E H Burack in Long Range Planning (UK), Feb 91 (8 pages)*

Looks at the issues of corporate culture, defining what cultures and sub-cultures are and

how instigating cultural change can be difficult (case studies provide examples). Warns that attempts to change the culture often fail because of poor understanding and over-reliance on quick-fix solutions, or a failure to deal with such problems as the leadership of the business or staffing matters. Insists that changing the corporate culture can be of value; stresses the role of human resource development programmes.

Characteristics and practices of "Christian-based" companies. *N Ibrahim & others in Journal of Business Ethics (Netherlands), Feb 91 (10 pages)*

Describes a study carried out to assess the characteristics and culture of "Christian"

companies (described as firms which operate on a combination of business and religious values). Focuses on four major relationships these companies have with employees, customers, the community, and suppliers. Finds, among other things, that such companies engage in on-site religious practices, play music on company premises and invite clients and suppliers to pray.

Unleashing a plant revitalisation. *M Harlan in The McKinsey Quarterly (US), No 1 91 (17 pages)*

Explains how one can distinguish between those unsatisfactorily performing manufacturing plants that can be turned around and those that are beyond redemption.

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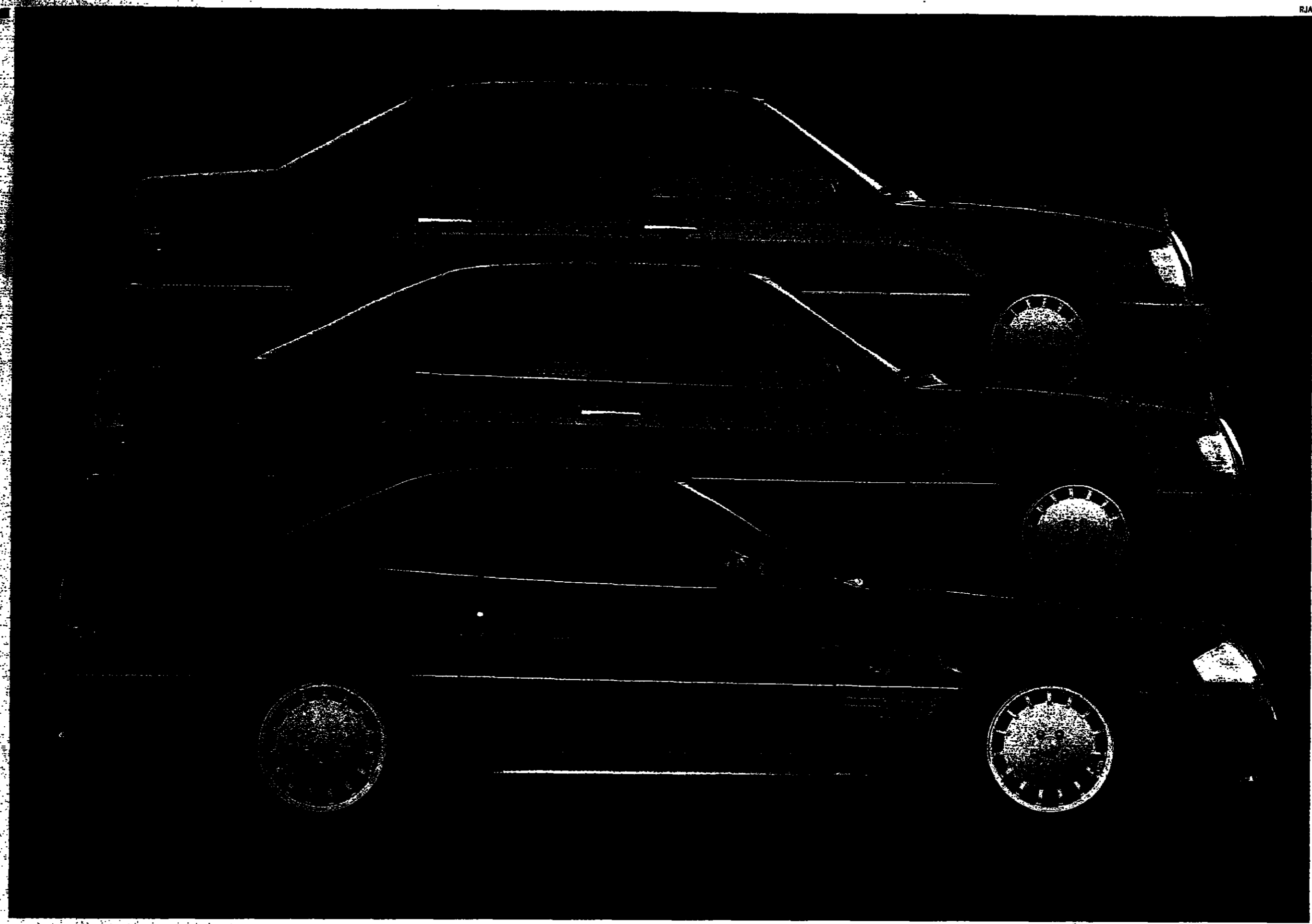
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Front to rear: 300SL sports convertible, 300CE coupe, 300E sedan

Bruno Sacco is a highly quotable man. He is, for instance, very eloquent on the subject of decorative elements on a car and how desirable it is to avoid them. He speaks of the "sculptural purity" of Mercedes-Benz bodies, and how they should be "functional, unobtrusive, yet express a clear dynamic message." You only have to glance at the three cars here to see what he means.

TIMELESS STYLING IS A GOOD INVESTMENT

Sacco heads the design team that produced all three as well as the 190 series and the august S-class. And what he is expressing explains why Mercedes-Benz cars hold their value so well. By resisting 'shallow trends' - by knowing what to leave out - Mercedes cars achieve a timeless freshness that protects your investment at trade-in time. Car designers, says Sacco, are "applied futurologists." The trick is to produce shapes that will live long and well in the public consciousness. Look closely at any of today's Mercedes models and you'll see more than sculptural beauty, however. Every feature also has a down-to-earth purpose.

"Good design is the art of knowing what to leave out"

Bruno Sacco, Director of Design, Daimler-Benz AG.



ENGINEERED LIKE NO OTHER CAR
IN THE WORLD

The closed-loop door handle, for example, is not only elegant and ergonomically satisfying to use - it can be a life-saver because it is designed to accept great pulling force after a catastrophic accident. Notice the deeply ribbed rear light cluster. This is no stylist's whim, but a meticulously profiled functional shaping that deflects dirt and grime. The vertical channelling on the A-pillar which frames the windscreen ensures that rain or washer fluid is kept off the side windows. The stylish protective side mouldings, apart from adding visual coherence to the overall design, do much to shield your car's bodywork from scrapes and knocks.

ART OF THE NECESSARY

Mercedes design acknowledges both scientific imperatives and a wealth of tradition. At Mercedes-Benz, heritage is always an important ingredient; and for Bruno Sacco, an Italian of the Turin school, so is sensuality. Knowing what to leave out is a vital but elusive skill - as important, in fact, as knowing what to put in.

BUSINESS AND THE ENVIRONMENT

Beware if you own property that was once used as a petrol station or dry cleaners - you could be sitting on a potential liability.

Next April local authorities in the UK will begin to list properties which may be contaminated as a result of their current or previous use. Registers will include a wide range of sites from nuclear plants through to petrol stations and the local dry cleaners. Any property that could have become contaminated with noxious substances, such as oil, heavy metals and cleaning solvents, will eventually appear on the list, whether or not the land is actually contaminated. And once listed, the property will never be removed.

The register - part of the UK's new set of "green" laws, the Environment Protection Act - is designed to reduce the problems and costs of discovering contamination during redevelopment. And it will provide the basis for the first nationwide survey of potentially contaminated sites.

It should also prevent houses, for example, being built on potentially dangerous soils, as happened in 1980 in the small town of Lekkerkerk in the Netherlands. There, 286

Developers fear the move will alarm the public and devalue properties

houses were built on a former refuse tip. Unknown to the developers, the dump had been illegally used to dispose of toxic wastes which rose to the surface and made people ill.

The UK government is now considering comments from the public consultation exercise about its proposed register before it finalises the exact nature of the list. Property owners and developers are alarmed about the broad sweep of the definitions suggested by government. But more important, they are fearful that the register will cause planning blight, public alarm and devalue properties.

"They have every reason to be concerned, considering the experience with similar registers in Germany, Holland and Denmark."

"The net has been cast too widely. Registration in this form will raise more issues than it solves," says David Coates of the UK's House Builders Federation.

Hanni Helps, director of the British Property Federation,

Property companies will be the main victims of tougher legislation controlling the use of contaminated sites, writes Peter Knight

The land trap that awaits developers

says the public would assume that all property on the list is contaminated. "And that will obviously affect the value."

Lenders, such as banks and building societies, stand to inherit the problem if the owners default on their debts. Insurers, unless they have specifically excluded pollution in their policies, could also find themselves with an unexpected bill for cleaning up.

Denmark has had a similar, but not identical, register since 1983. Henning Reinholdt of Gaarde, Denmark's leading industrial property agency, says it is difficult to sell property that appears on the list.

"Potential buyers are worried about the high cost of decontamination. When we sell a site or a factory the contract is subject to the discovery of any polluted soil. The seller has to prove that the soil is clean and if pollution is found then it has to be removed or the price adjusted to pay for the cleaning," he says.

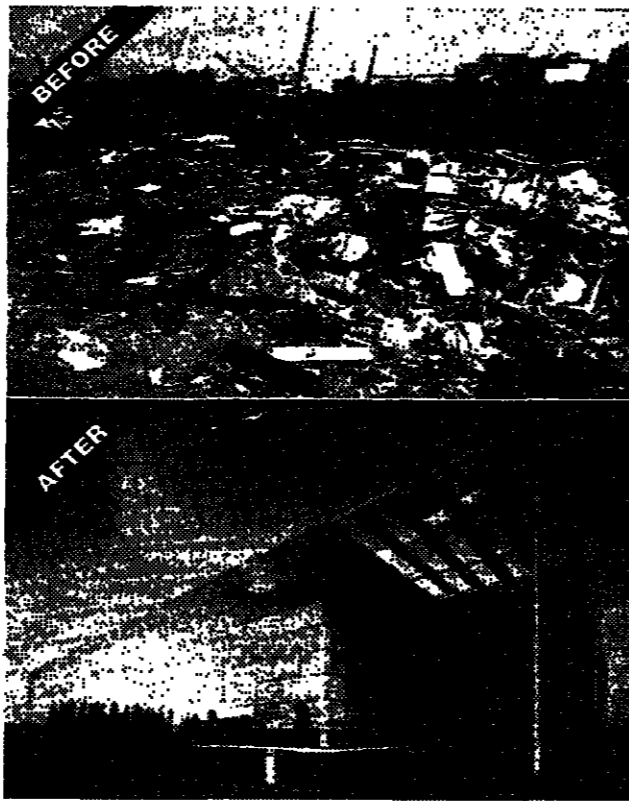
Denmark's rules on contaminated land, as in Holland, are rigid because nearly all its drinking water comes from underground supplies. Any risk of water contamination is quickly dealt with by the authorities and the property owner could be liable to bear the cost.

In Denmark, government funds are available to clean up sites, but these are limited and property owners with lightly polluted land invariably clean it up themselves if they want to change the designated land use, rather than wait for grants to become available.

"Once registered as contaminated, many sites turn from a positive into a negative value," says Lars Skov Andersen, an environmental consultant with the Danish firm of Cowi Consult.

The company advises developers on how best to develop contaminated sites. Cowi's business in this field has grown substantially since the register was set up.

"Our impression is that decontamination is taken as



Despite the clean-up, Stockley Park will almost certainly be included on the UK list of contaminated sites

yet another development cost. But then developers think twice about developing such land," says Andersen.

Thinking twice, or not at all, is the cause of much of the blight that already affects the UK's so-called brown-field sites. Developers say it is difficult enough developing these sites, such as old gas works, without the added problem of the property appearing on a register forever.

In Denmark properties can be removed from the register once they have been cleaned up. This can, however, prove to be difficult because, as in Holland and Germany, there is much debate about what constitutes clean land.

Denmark, like the UK, has

various grades of decontaminated land. Some can, for example, be used as a car park but not for a playground. The Dutch insist that all land is restored to agricultural use.

Stuart Lipton of Stanhope Properties, a commercial developer, has pioneered environmentally responsible development in the UK. Stanhope's Stockley Park, west of London, is a good example of cleaning up and developing contaminated land - but the site will almost certainly be listed with possible implications for its value.

Lipton agrees that property values in general could be affected by the register. "But conceptually the register is right. It is the right way to go

ethically and it is only reasonable that everyone should have a 100 per cent knowledge about a site," he says.

Much of the concern about the register is based on the UK's traditional secrecy about property deals as well as the legal responsibility placed on a buyer to find out about any problems that might exist. The register will publicise information that the seller would normally try to keep secret.

Malcolm Forster of the environmental group at Freshfields, a firm of solicitors, says property sellers should acknowledge that contamination is a hazard of their business and adopt a more open attitude to the subject.

"The register gives an opportunity to include a statement about what has happened to the land. If there is contamination owners should clean up to the limit they think acceptable to the market and they should get independent evidence of this. Then they ought to be up-front about it when selling."

He says it then follows that property owners should also be more conscious of preventing contamination on their sites. "There is no question that contamination will become an important issue because of the potential liability involved."

But some advisers are calling for the register to contain more detailed information. "It would be useful to be able to include more history and greater detail of decontamination, including interpretation and validation. Owners should be able to state that the site has been cleaned up to a particular standard," says Richard Holmes of environmental consultants Ecotec.

However this introduces the problem of clean-up standards and the lack of clear guidelines of what constitutes decontaminated land. Ideally, developers in Europe would like governments to set the standards and then provide the money to pay for the costly business of decontamination.

This, in part, has been tried in the US through its Superfund which stood at \$8bn in 1986. The scheme, designed to develop appropriate technologies and to clean up the country's many toxic sites, was financed through levies on chemicals and from general taxation. But it has been criticised for wasting money and some estimates put the cost of cleaning up the designated sites at \$500bn by 2000.

The Germans have rejected calls for a similar fund. And the UK government will make no financial offers to those who end up on its list in April.

Geneva passes the buck to Rio

By John Hunt

Three weeks of negotiations in preparation for next year's 150-nation United Nations "earth summit" in Rio de Janeiro, Brazil, draw to a close in Geneva today amid allegations from environmental pressure groups that little has been accomplished.

But Maurice Strong, the Canadian businessman who is secretary-general of the summit - officially entitled the UN Conference on Environment and Development - remains confident that it will be a success.

"The real cliffhanger will be at Rio de Janeiro. We are trying to get the ropes in place to scale that cliff. At the moment we are only at the base."

At Rio de Janeiro an "earth charter" will be agreed laying down principles for the protection of the global environment. In addition, an "Agenda 21" plan for the next century will be drawn up setting out practical programmes for countries to implement to protect the environment.

Greenpeace, the environmental lobby group, says the government officials from 150 countries who participated in the Geneva round "lost their way" in attempts to agree proposals on a range of environmental topics including energy conservation, preservation of the rain forests, bio-diversity and toxic waste.

Gordon Shepherd, director of campaigns and treaties for the World Wide Fund for Nature (WWF) said: "There is still time for them to build something significant for Rio de Janeiro. But there is no indication that they are doing so at the moment."

At Geneva, the exasperation of environmental ginger groups was understandable during discussions on both the "earth charter" and "Agenda 21".

The Geneva round is the third in a series of four preparatory meetings, and it appears that a final decision on many topics is being left for the fourth and final session in New York next March. For example, there was no agreement at Geneva on a detailed plan to protect rainforests. Only a set of general

principles was agreed and it is now accepted that the final plan will have to be thrashed out after the Rio de Janeiro summit.

Discussions on conservation of energy to combat the threat of global warming - including a possible energy tax - ran into stiff opposition from the US. Robert Rehnstein, head of the US delegation at Geneva, said the proposals concentrated too much on energy consumption as the cause of global warming. The proposals were "too interventionist" and a potential violation of national sovereignty, he said.

There was also much friction between the Group of 77 developing countries and the industrialised states. Speaking for the Group of 77, Edward Kufor of Ghana said the proposals in Agenda 21, for example, favoured the developed countries.

Strong is eager that development aid to the Third World should figure largely in the environmental debate. At Geneva the issue of aid for environmental improvements caused the Group of 77 much disquiet.

They maintained that the industrialised countries have been the main polluters - for example, in their industrial emissions which cause global warming and acid rain - and should help the Third World pay for the cost of cleaning its environment.

Strong agrees that more needs to be done in this direction and sees debt reduction tied to environmental improvement as an important means of resolving the issue.

"Industrialised countries must recognise that one of the best investments they can make for global environmental security is in the developing countries," he said.

Amid all the turbulence at Geneva, Strong retained a calm born of many years' experience in inter-governmental negotiations.

"Some of these outstanding questions will not yield to negotiation until the last stage of the process," he said. "It is a long slog with tough, even tedious, negotiations long into the night."

Strong, aged 62, came up the hard way. He was born in the Manitoba prairie town of Oak Lake (population then 400) in 1929, the year of the Great Depression.

He became an apprentice fur trader with the Hudson's Bay Company in the Northwest Territories where he fell in love with the environment and learned to respect the "first" native people.

At 18 he became a temporary security clerk at the United Nations headquarters and then returned to Canada where he worked as an oil and mining securities analyst and, aged 23, made his first real money in a new oil company.

By his 35th birthday, he had become president of the Fawcett Corporation of Canada, one of the country's largest companies. He left his business career to become secretary-general of the UN Conference on the Human Environment and later went on to become the first executive-director of the United Nations Environment Programme. Thereafter, he returned to Canada to run the national oil company, Petro-Canada.

Strong believes that industry in general has woken up to the environmental challenge and is doing much to reduce pollution though there is a long way to go.

In terms of pollution control technology and working to a national environmental plan stretching into the next century, Strong believes that the Japanese have long since surpassed other western industrialised countries.

"Japan is on the way to becoming an environmental superpower. It is already well advanced in the eco-industrial revolution. The Japanese see the importance of the environment in economic terms. They are product-oriented and are changing their patterns of production and consumption. They are well along the road of cleaner production."

Japan, for instance, possesses 80 per cent of the world's scrubbers to remove sulphur dioxide from power station emissions and reduce acid rain, he said.

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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

EUROPEAN FINANCE AND INVESTMENT

The Netherlands



In an effort to build up domestic dominance before looking outside their own borders, Dutch financial institutions have embarked on an impressive series of mergers which have transformed the country's financial world leaving a small but powerful group of operators, writes Ronald van de Krol

Merger pace accelerates

THE normally slow-paced world of Dutch finance has changed beyond all recognition in the space of a single year. A dizzying round of mergers and consolidation has left the Netherlands with a handful of big operators who, will need to look abroad for future growth and acquisitions.

The first of the financial mega-deals was the merger of the country's two largest banks, Amsterdam-Rotterdam Bank (Amro Bank) and Algemeene Bank Nederland (ABN Bank), which took place in September last year.

This transaction was swiftly followed only two months later by the surprise news that Nationale-Nederlanden, the leading Dutch insurer, was to merge with NMB Postbank, the country's third-biggest bank which was still struggling to carry out a merger that had created it in the first place.

The link-up of Nat-Ned and NMB Postbank to create the Internationale Nederlanden group was made possible by changes in Dutch regulations which had previously barred insurers and banks from owning more than 15 per cent of each other's share capital. Although relative latecomers to the concept of *Allfinanz* or *bancaassurance* — the German and French terms, respectively, for banking-insurance partnerships — Dutch banks and insurers have taken to the concept of "financial supermarkets" with all the enthusiasm of the newly converted.

In fact, unlike many banking-insurance partnerships in

the UK, Germany and France, which involve cross-holdings of minority stakes, the Dutch have preferred to conclude full mergers rather than opting for a looser form of alliance.

Among recent examples in the current bout of consolidation has been Rabobank's acquisition of the insurer Interpolis, as well as the full merger between Amro, the third-largest Dutch insurer, and VSB, the Netherlands' largest savings bank group. (Amro/VSB later merged with the Belgian insurer AG to create the Fortis group).

All in all, 1990/1991 has proven to be the most eventful period in Dutch finance since 1963/1964, when the original ABN, Amro and Nat-Ned were created through an equally extensive series of mergers. The past year's transactions between ABN and Amro and between Nat-Ned and NMB Postbank are by far the largest mergers in Dutch corporate history.

The two mergers have created a powerful concentration of financial strength which in many other countries would have been more difficult to achieve because of stronger anti-monopolistic traditions.

Between them, ABN and Amro have about half of the corporate banking market, although their share of retail banking is far lower at around 15 per cent.

Together, they and their subsidiaries also account for at least 40 per cent of all trading on the Amsterdam stock exchange. Internationale

Nederlanden is by far the largest shareholder in the Netherlands, owning stakes of 5 per cent or more in virtually every important bourse-listed company.

The new bank ABN Amro, which ranks among the 10 largest in Europe, has made clear from the start that it wants to grow abroad by acquisition. So far, it has bolstered its existing presence in New York and Chicago through smaller purchases, but it has yet to make the big banking acquisition at which it hinted in mid-1990.

Internationale Nederlanden, which claims to be the second most profitable financial institution in Europe after Banco de Bilbao y Viscaya of Spain, has also said that it will concentrate on banking when it is ready to start making international acquisitions. At the top of its priority list are wholesale and merchant banking, followed by retail banking and insurance.

Despite the flurry of activity, not all of the Netherlands' premier financial institutions have taken the merger route. Rabobank, which, as a co-operative bank, is not bourse-listed, has chosen to conclude co-operation accords with a number of foreign banks such as Lloyds Bank of the UK, Credit Agricole of France and Banco Popular of Spain.

In insurance, Aegon, which was highly critical of the Nat-Ned/NMB Postbank merger, has said that it will not merge with a bank, although it has not ruled out partial co-operation with a banking partner.

Unlike the series of US banking mergers announced during the summer, both the ABN Amro and Internationale Nederlanden mergers were not motivated primarily by a desire to cut costs. And, unlike the US institutions, the Dutch merger partners were also not seeking to solve problems

caused by poorly-performing loans: all four were conservatively managed and all possessed good quality assets.

Instead, the driving force behind the merger trend has been the desire to consolidate and strengthen domestic dominance as a prelude to expected expansion abroad, especially in Europe.

This pattern of big domestic link-ups is a far cry from the "Euro-euphoria" of the late 1980s, when the buzzword of Dutch finance was the cross-border partnership, exemplified best by Amro Bank's plans to merge with Générale de Banque of Belgium. This bi-national merger, billed as a first for European banking, fell through, and Amro's later decision to merge instead with ABN is indicative of the new emphasis on sewing up national markets before embarking on cross-border expansion.

In this sense, both the ABN Amro and Internationale Nederlanden mergers have come to be regarded as strongly defensive moves, motivated in part by the wish to deny foreign competitors the chance to steal into the open Dutch marketplace and wrest away further banking and insurance business.

In the case of Internationale Nederlanden, the marriage between Nat-Ned and NMB Postbank was a way for the Netherlands' biggest insurer to ensure that it gained full control over NMB Postbank's extensive distribution outlets, which encompass the more than 400 branches of NMB Bank and the 2,500 Dutch post offices used by the Postbank. This network is a potentially lucrative channel for selling Nat-Ned's insurance policies to the Dutch public.

Allfinanz has not existed long enough in the Netherlands to draw firm conclusions



Dam Square, found between Amsterdam's stock exchange and option exchange

on whether the combination of banking and insurance will sow the profits which Internationale Nederlanden and other recently merged institutions are hoping to reap.

But there is little doubt that the arrival of banking-insurance groups has fundamentally reshaped the Netherlands' financial community.

Among those most immediately affected are independent Dutch insurance intermediaries, who distribute 45 per cent of all the insurance policies written every year in the Netherlands. Many intermediaries were severely critical of Nat-Ned's plans to harness NMB Postbank's outlets, and the Association of Independent

Insurance Agents — one of two important groups of insurance intermediaries — has called on its members to boycott the company.

Despite this opposition, it is clear that *Allfinanz* is in the Netherlands to stay, bringing with it far-reaching changes for consumers, banks, insurers and brokers alike.

IN THIS SURVEY

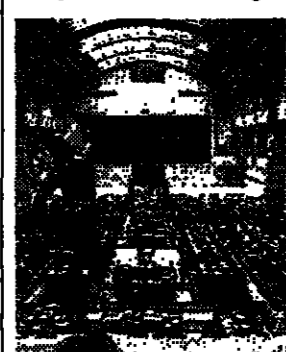
■ Profile: Rabobank, which has not so far joined in the rush to find a partner, remains unruffled at the momentous changes taking place in the Dutch banking scene and finds that merger activity among its competitors is a help to its own business.

■ Mergers: since early 1990 when the government allowed full alliances to take place a spate of insurance and banking combinations has dominated the Dutch financial world. Page 2

■ Amsterdam in Europe: efforts are being made to reinforce the position of the city as a leading gateway to Europe.

■ Profile: ABP, the Dutch civil servants' pension fund is using new-found freedom to expand beyond the relatively small markets of the Netherlands. Page 3

■ Key Facts.



Amsterdam stock exchange

■ Bank charges: Dutch banks are now trying to recoup money previously lost on payment transfers with a new system of charges.

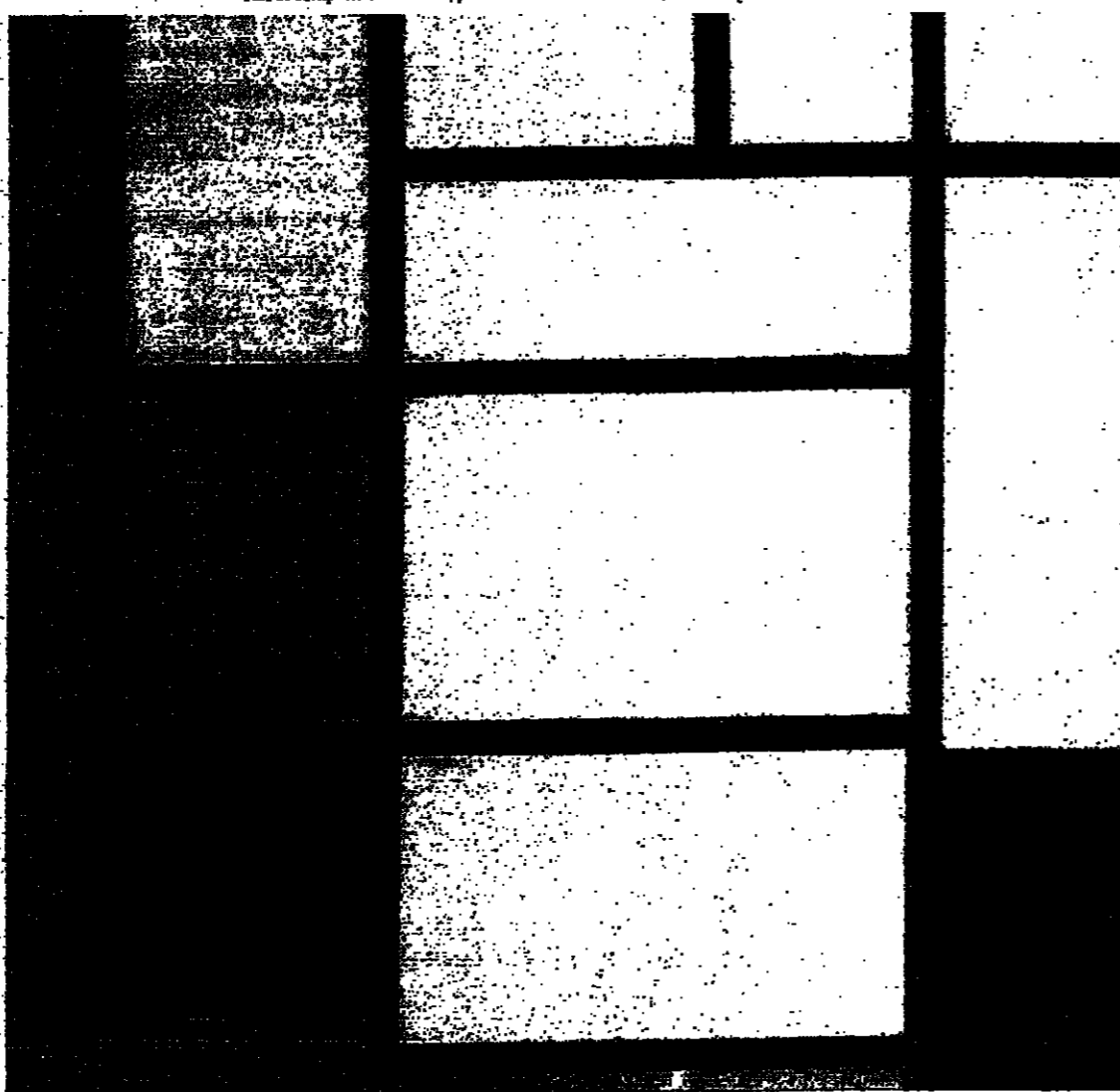
■ Takeovers: changes to EC directives threaten to reduce the ability of Dutch companies to fight off hostile takeover bids.

■ The role of the shareholder: investors are beginning to demand a say on matters concerning the future of a company.

■ The parallel market: since its meteoric rise before and fell after the crash of 1987, the parallel market has had to work hard at transforming its image.

■ Related Surveys. Page 4

Part of composition with red, yellow and blue. Mondrian, 1921. Haags Gemeentemuseum.



© Mondrian, 1921, 1920. Beeldhuis Amsterdam.

What does this Dutch artist share with Rabobank? Clarity, strength and vision.

Mondrian's paintings are characterised by clear lines, and strong use of form and colour, based on very definite views on his art. Similarly, Rabobank has carefully developed its own vision of banking. As Dutch industry grew, so did Rabobank, building up a network of 2,200 offices to become one of the largest domestic banks. With one third of all Dutch companies doing business with Rabobank. Today, with total assets of more than US \$ 115 billion, Rabobank is one of the top 50 banks in the world, with offices in major financial centres and ports around the globe. If you are thinking of doing business with the Netherlands, contact Rabobank.

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NETHERLANDS 2

PROFILE: RABOBANK

Outsider with confidence

RABOBANK, the large co-operative bank, likes to see itself as a bit of an outsider. The bank feels it has no need to follow the crowd. So Rabo, ensconced in its new Utrecht headquarters, has been unruffled by the momentous changes going on in the Dutch banking scene. In the space of two years it saw its main four competitors reduced to two through mergers.

Since then Rabo has become the second largest bank in asset terms in the country. Rabo and ABN Amro together now have a strong grip on the Dutch market.

So it is not as if the bank has been left empty-handed and wishing as if it had acted earlier. On the contrary, Rabo's chairman Mr Herman Wijffels feels all this merger activity will have more advantages than disadvantages for Rabo.

Most corporate clients like to have two advisers. Because of the ABN Amro merger clients have to find an alternative. "The client's choice has become so much smaller that we are often a natural choice next to ABN Amro," says Mr Wijffels. Another advantage is that the competitors are busy getting their act together. "In the meantime we can spend our time developing new business," says Mr Wijffels.

But this relaxed attitude does not mean that Rabo has been standing still. It has moved from being a largely domestic agricultural bank to being an international all-rounder with specific expertise in the global agri-business.

Last year the bank purchased a medium-sized insurer, Interpolis, immediately after the regulations that kept insurers and banks apart were changed. At the end of last year it signed a co-operation contract with Robeco, one of the largest independent fund management groups in Europe. The bank has also set up agreements with Britain's Lloyds Bank, Spanish Banco Popular and France's Credit Agricole. These co-operation agreements allow Rabo customers to use the branch networks of the foreign banks.

It might appear as if Rabo were purposely avoiding mergers in the banking sector. Mr Wijffels denies any strategic decision to keep out of the way of straight mergers but points to a lack of possibilities. "Most of the time the potential candidates are either too expensive or bad quality." Also, the co-operative structure of the bank makes mergers with other banks nearly impossible.

Rabo has been a Johnny-come-lately to the international banking scene. This is largely because its internationalisation has followed its domestic clients abroad. The goal has been to provide services to its Dutch business clients in those countries that are most important to Dutch trade.

But there has to be a balance between where and what clients would like to do and potential profits or losses. Mr Wijffels points to Japan. Many times, partly because of its agrarian client base, the bank looked at possibilities in Japan and



Rabo's new Utrecht headquarters: international business is now on the agenda



Herman Wijffels: merger activity will benefit the bank

discarded the plans. A profitable situation seemed too difficult to achieve.

In general, however, Rabo wants to be present in all the important financial capitals in Europe, because that is where the clients need most help. Most foreign branches are quite profitable according to Mr Wijffels. "It is difficult to do well abroad. The reason why we were relatively successful is because we always maintain a good synergy between head office and branch, put people we trust in charge of the branches, and focus the business narrowly on what we are good at at home." So Rabo kept clear of junk bonds and complicated financial engineering while it stuck largely to business that was related to agri-business.

Rabo's triple-A rating is now so rare that it reinforces the "outsider" image in the international financial community. But the top rating also helps international development. Who would not want to do a deal with one of the few triple-A rated banks? The bank is relatively confident it can hold on to this rating, "but you never know what can happen," says Mr Wijffels.

"If the general level in international banking keeps dropping eventually we will be affected too."

But net profits grew by 8 per cent in 1990 while the profits of its direct competitors fell by around the same amount. Predictions are that earnings growth will slow this year as a result of the worldwide economic slowdown and continuous cost increases.

If Rabo was originally the bank of farmers, agri-business companies and small and medium-sized businesses, it is now also trying its luck among the larger prey. The bank has a full-scale wholesale bank located within the head office with a money and capital markets division and a corporate division with some merchant banking activities.

Rabo was also a latecomer to securities. The bank was in some ways acting as a savings bank. "In the 80s we realised that savers turned into investors. That was one of the reasons why we linked up with Robeco," says Mr Wijffels. Rabo is now a good example of the *Alfinanz* concept. The Rabo saver can now put his savings as just as easily into life insurance as securities.

Mr Wijffels sees the large 2,200 branch network as a strength rather than a liability. To him it is an excellent distribution channel for insurance, banking and investment products. However, the branch network will need to be thinned out in the next couple of years.

Based on its domestic dominance through its retail network - the bank holds 40 per cent of the savings deposits, 25 per cent of the home mortgages, 40 per cent of financing market for small- and medium-sized businesses and 90 per cent of lending to the agricultural sector - Rabobank can successfully hold on to the quiet confidence of an outsider.

Edi Cohen

EUROPEAN FINANCE AND INVESTMENT

Lifting of limits on mergers has encouraged a wave of alliances

Banks find new bedfellows

UNTIL January 1990, banks and insurance companies in the Netherlands were separated by the Central Bank's structural supervision policy, under which banks and insurers were forbidden to hold more than a 15 per cent stake in each other's companies, with a 5 per cent limit on voting rights.

The removal of this obstacle, the forthcoming disappearance of EC borders and the accompanying threat of increased international competition helped spur the current wave of consolidation and banking/insurance mergers.

In addition, Dutch companies' desire to maintain their independence has encouraged them to seek merger or alliance partners. The Dutch industry has also been scrambling to catch up with the trend in several other European countries, where banks and insurers have been moving closer to each other for some years.

A survey last year by Arthur Anderson among 420 directors of insurance companies in 15 European countries concluded that the European-wide movement would peak in 1993-5, with banks capturing 20 per cent or more of the European insurance market. Respondents predicted that the Netherlands, with its open, deregulated market, was among countries likely to attract more foreign interest and acquirers, especially as the 150 foreign insurers active in the Netherlands now hold only about 10 per cent of the market.

First of the mark last year were insurer Amev and banking group Verenigde Sparenbank, which had taken 5 per cent cross-holdings ahead of deregulation with the stated intention of merging when this was permitted.

It was also the first group to link up with a cross-border partner, Belgian insurer AG. The group, which has been named Fortis, has the same structure as the Royal Dutch/Shell group, except that Amev and AG are 50/50 partners.

In May last year, the co-operative bank Rabobank took over insurer Interpolis and also linked up with investment fund group Robeco, completing its version of the *Alfinanz* con-

cept, according to Rabobank chief Mr Herman Wijffels.

Last August's marriage between ABN and Amro Bank, one of the two Dutch mega-mergers, did not involve an insurer, although Amro Bank has its own insurance operations. NMB-Postbank, the country's third-largest bank, completed its controversial mega-merger with insurer Nationale-Nederlanden to form Internationale Nederlanden Groep (ING) on March 3 after overcoming strong opposition from a group of shareholders led by rival insurer Aegon, the only important Dutch insurer which has so far failed to find a banking partner.

A partnership with an insurer such as Nat-Ned vastly increases NMB-Postbank's financial clout, as Nat-Ned's solvency ratios are much higher than those of NMB-Postbank. This in turn can facilitate faster expansion abroad, particularly in services to companies and investment banks.

The domestic market has been slowly changing shape for years, one key development being Robeco's introduction of the Roparco giro savings scheme a decade ago. Operating without branches, it could offer competitive interest rates, sharpening up growing competition for "free" (non-contractual) savings. Since then, many new higher interest rate savings products, such as the private time deposit account, have been introduced, moving interest rates closer to money and capital market rates.

Even before 1990, the traditional strict separation between Dutch savings banks, lending banks, insurers and independent insurance brokers had become blurred. An industry survey last year showed that 98 per cent of independent brokers were active in mortgage business and 85 per cent arranged personal loans.

An ABN Amro report, "Europe 1992 and the Dutch banking sector", concluded that competition between domestic suppliers of financial services would hot up further, with the stress on capital management and savings and investment products. This is because the age profile of the Dutch population is gradually rising, while the economy is expected to continue to show

steady, if moderate, growth.

For the banks, a key factor has been the shifting savings market structure towards instruments such as life insurance, while other growth opportunities such as corporate banking have come under threat as big international companies expand their treasury department in-house banking activities.

In countries such as France, Germany and the UK, banks have been successful in increasing their share of the life insurance market, with French banks now capturing more than half of new life business. Rabobank's alliance partner Credit Agricole set up a life insurance subsidiary, Predicam, in 1987, which has since grown to become one of the top three in France.

For insurers, a banking partner provides access to a relatively loyal banking customer base. Cost reductions achieved by distributing insurance products through banks can be as high as two-thirds, according to some industry experts, with experience in other countries demonstrating that insurance agents can sell more efficiently through a bank's clientele than through "cold" contacts.

Supervision is now being combined at group level

Amev/VSB-AG management board secretary Mr Leo Lewin explains how his group has pioneered the new approach to the market. Banking and insurance operations continue to be managed separately, but under combined supervision at group level.

Sales of insurance products by VSB are showing "some spectacular development", Mr Lewin says. From an insignificant base, VSB is now the largest seller of Amev life insurance products, and has made an important contribution in selling fiscally attractive single premium products. He estimates that about 15 per cent of total life products sales is through the banks, with VSB accounting for about 5 per cent.

For sales of savings products with a banking character, he says VSB has developed two

new selling lines using Amev insurance brokers. It has also agreed an office license formula with several firms of broker, who will sell banking products for VSB while remaining free to sell for other companies, Mr Lewin says.

"The general idea in the Dutch market is that insurance intermediaries in the industry want to sell other products. All products are available through all channels at the same price - that's very important," Mr Lewin says. For VSB, the need to become more aggressive and active in selling was already well understood before the merger. VSB is in the process of transforming itself from a savings to a commercial bank.

The new groupings have come under fire from some quarters, particularly the ING merger. The independent insurance brokers, on which Nat-Ned is dependent for about 85 per cent of its domestic activities, complained bitterly about the ING deal, under which NMB-Postbank will only sell Nat-Ned insurance products. However, independent brokers in general remain well placed to meet growing demand from increasingly sophisticated customers for expert, tailor-made advice, industry experts say.

The consumers Union Nederland sent a letter to Sir Leon Brittan at the time of the ING merger expressing fears that it would lead to monopolistic tendencies, price increases and a deterioration in the consumer's position, as well as damaging product innovation as tailor-made products would give way to standardisation. It was also concerned that home buyers might be forced to take out an insurance company with the same company as that providing their mortgage.

The combined offer of services clearly offers potential cost-savings for companies and benefits for customers, but how far customer benefits emerge in practice will depend on how comprehensive the supply of services is, and particularly on adequate competition, forcing suppliers in all types of combination to live up to their stated aim of becoming more client-oriented.

Caroline Studdert

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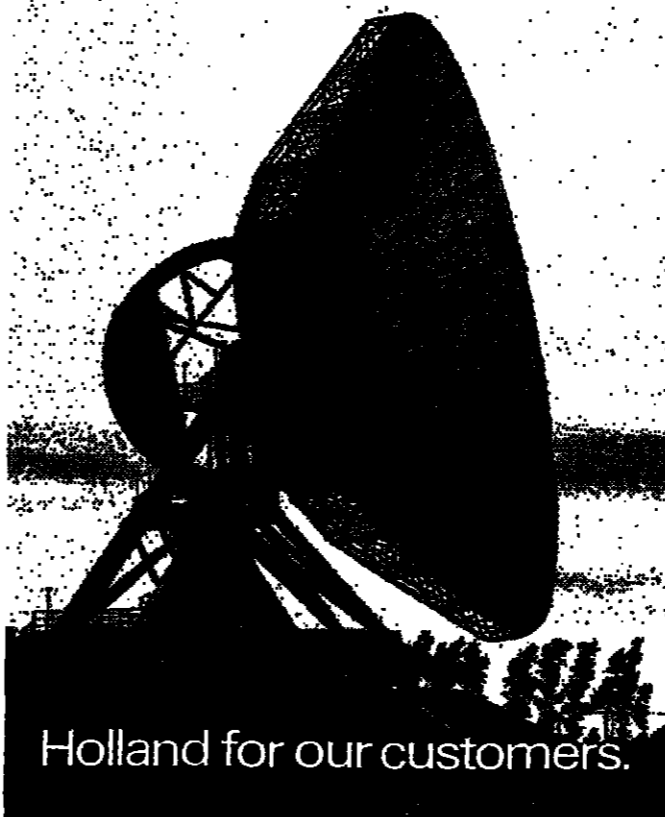
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EUROPEAN FINANCE AND INVESTMENT

THE NETHERLANDS 3

Centre reinforces its position
as an international hubAmsterdam
holds the fort

LAST year the atmosphere among Amsterdam financiers was tinged with fears that their financial market - one of the oldest in the world - would be sucked up by giant competitors such as London. Today, this feeling of panic has been replaced by a calm determination. The fort has to be held but there is a good chance Amsterdam will keep its place among the world's financial centres.

The earlier fear served a purpose, however, spurring an important initiative supported by such figures as Mr Willem Duisenberg, president of De Nederlandsche Bank and Mr Ed van Thijn, mayor of the city of Amsterdam.

The group produced an analysis of Amsterdam's strengths and weaknesses in order to identify real opportunities. The exercise was then to enhance the traditional position of Amsterdam as an international centre for financial products and services.

In March of 1989 this group issued a report which called for the implementation of more than 20 initiatives to reinforce and extend Amsterdam's competitive position. The foremost goal was to ensure that Amsterdam would remain in all respects attractive as a financial gateway to the European market.

An impressive agenda was set up, part of which was completed by July 1990. The work was to deal with both the inhibiting factors on the market and the physical shortcomings of Amsterdam itself.

One of the main worries of the financial community was the fact that some 80 per cent of the large guilder bond market was going through London as a result of restrictions on the Dutch market. Most of these constraints were lifted last July. For example, stamp duty on securities transactions was abolished and fixed settlement was set up.

Market transparency was improved by the reporting of trades involving foreign intermediaries. A market making system - "the open order book" - was installed to increase the liquidity of the bond market. These measures were specifically tailored to bring back the market share in guilder bonds that was lost to London discount houses such as Cantor Fitzgerald.

During the time when these measures were being put in place many bankers were sceptical. It seemed too little and too late. But public financial opinion has been changing for the better and many now feel that the measures have been beneficial.

According to Mr Jan Steinhauser, director of Amsterdam Financial Centre there are still things to be done. A market making system for equities is still in the pipeline. The settlement system should be completed with an active securities lending market.

More difficult problems are being tackled, too. Amsterdam Financial Centre has commissioned an academic study into whether and why the price/earnings ratio of Dutch companies is much lower than in other countries - a common complaint from foreign investors.

It is here that the Dutch civil servants' pension fund ABP - or Algemeen Burgerlijk Pensioenfonds - manages its vast assets of F1157.5bn (\$79.50bn) making it the second biggest pension fund in the world after TIAA-CREF, a US pension fund for teachers.

The fund, whose assets are channelled mainly into fixed-rate securities, is the biggest buyer by far of Dutch government bonds, holding more than 20 per cent of the state's outstanding debt.

Its portfolio of Dutch shares, while relatively small as a percentage of total assets when compared with the standards of Anglo-Saxon pension funds, is nevertheless significant. With the exception of Royal Dutch Petroleum, ABP holds, on average, a 3.5 per cent stake in every important company listed on the Amsterdam bourse.

ABP's location in Heerlen is a legacy of Dutch government policies in the 1970s, when public institutions were transferred away from the crowded Amsterdam-Rotterdam triangle to economically disadvantaged regions in the north and south of the country.

From the perspective of 1991, the decision to move ABP to the country's southern-most tip can be seen as symbolic of the fund's wish to expand beyond the relatively small financial markets of the Netherlands to find new opportunities in Europe and North America.

In 1988, ABP was finally freed from severe legal restrictions which had barred it from investing anywhere outside of the Netherlands. The new rules allowed ABP to invest up to 5 per cent of its assets in foreign property, shares and bonds, and the pension fund has gradually but steadily taken advantage of this new-found freedom.

In the UK and the US, for example, it has bought buildings in London, Philadelphia and Cambridge, Massachusetts. It has also taken a 4.5 per cent stake in Hammerson, the UK property development and investment group, with which it plans to make joint venture investments in Europe. So far, ABP has bought a 70 per cent stake in a Hammerson-owned shopping centre in Essen.

ABP's overseas property portfolio was worth F1785m at the end of 1990, representing a sharp rise from F125m in 1988. Since 1988, its holdings of foreign shares have expanded from nil to F12.7bn, representing 34 per cent of its total

share holdings but only 1.7 per cent of its total assets.

With more than three years of international investment experience behind it, ABP is now seeking permission to expand its foreign investments to a maximum 20 per cent of total assets. This would be done gradually over a number of years, but because of ABP's sheer size, even a cautious expansion of the fund's overseas presence would herald the emergence of a significant global investor.

Mr Jan-Willem Goslings, executive vice-president of the ABP, says the pension fund will probably reach its current 5 per cent ceiling on foreign investments in late 1992 or early 1993.

Besides its desire to step up foreign investments, ABP is also hoping to be freed from two further restrictions, one which forbids it from owning more than 5 per cent of an individual company's share capital and another which stipulates that no more than 20 per cent of assets may be invested in shares and property.

ABP is seeking a combined 30 per cent ceiling on shares and property, with a long-term goal of 40 per cent by the year 2010. Officials say that this would give the fund a much better mix of yields and risks.

Freed from legal restraints, ABP is expanding on a global scale

Pensions fund looks abroad



Jan-Willem Goslings: foreign assets growing

power, any increase in the scale of share buying would have extremely important implications for the Dutch stockmarket and Dutch companies, especially if the fund becomes a big shareholder in individual companies.

In early 1991, ABP publicly joined several other institutional shareholders in putting pressure on Nationale-Nederlanden, the insurer, to sweeten the terms of its merger with NMB Postbank. This openly critical stance was out of character for ABP, raising questions about what its position will be if hostile takeover attempts become more prevalent in the Netherlands in the 1990s due to the expected abolition of certain anti-takeover defences.

Mr Goslings says ABP has no intention of becoming an "aggressive" shareholder in the mould of some US institutional shareholders, adding that the fund's investments are made with a long-term view. He also argues that Dutch companies would do well to take cross-stakes in each other, not only to increase their takeover protection but also to create stable industrial structures. "Big funds can play a stabilising role, and that stability is also in the national interest."

Although little known

abroad, ABP is a giant in the Netherlands, providing pension and disability coverage to 1m civil servants out of a total population of nearly 15m. The fund's huge size is a result of its funding methods. Rather than paying current pensions out of incoming contributions, ABP's pensions are fully funded in advance, meaning that it starts accumulating capital decades before the pension is paid out.

The riches of ABP and other Dutch pension funds and pension plans - which together have assets of F1480bn - have attracted the attention of politicians looking for ways of reducing the national debt. Mr Ruud Lubbers, the prime minister, has suggested that, because employees pay no tax on their pension deductions and only pay tax on these funds when they reach retirement age, 10 per cent of pension funds' assets should be paid to the government now.

This transfer of nearly F150bn in "deferred taxation" from pension funds to state coffers would save the state an annual F15bn in interest payments because it would lower the national debt.

Mr Lubbers' idea has been criticised as an artificial method of reducing the budget deficit without having to resort to politically painful spending cuts. The prime minister's trial balloon has quickly been shot down, and ABP seems to be in no immediate danger of having to relinquish some of its assets to The Hague.

Ronald van de Krol

Internationale
Nederlanden
Group

Earlier this year, the merger of NMB Postbank Group and Nationale-Nederlanden created a major financial services group in the Netherlands. In terms of capitalisation on the Amsterdam stock exchange it is the third listed Dutch company of any kind.

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We have the capital base, the assets and the necessary skills to build upon those strong foundations throughout the world.

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An
introduction.

ING GROUP

The half year results will be announced on September 5th, and the Interim Report will be available from September 9th.

To receive a copy please contact: Internationale Nederlanden Groep NV, Postbus 810, 1000 AV AMSTERDAM, The Netherlands. Tel: (31) (20) 646 2201, Fax: (31) (20) 646 2301.

KEY FACTS

Area	37,281 sq km
Population	14.95m (1990 estimate)
Head of State	Queen Beatrix
Currency	Guilder or Florin (Fl)
Average Exchange Rate	1990 \$1 = Fl 1.8209
	9/8/91 \$1 = Fl 1.9490

	1990	Latest
ECONOMY		
Total GDP (\$bn)	276.9	n.a.
Real GDP growth (% pa)	3.5	1.5*
GDP per capita (\$)	18,521	n.a.
Consumer prices (% change pa)	2.4	3.3*
Hourly wage rates (% change pa)	3.2	3.5*
Ind. production (% change pa)	2.5	7.6*
Unemployment (% of lab force)	5.0	4.4*
Reserves minus gold (\$bn)	17.5	15.3*
Narrow Money growth (% pa)	5.5	5.2*
Broad Money growth (% pa)	7.0	7.1*

Interest rates		
(% pa, period avg)		
Discount rate (end period)	7.25	7.75*
3 month Euro-Guilder	8.50	9.25*
3 month LIBOR	8.68	9.17*
Long-Term Govt Bond Yield	9.01	8.72*

Stock Market Indices		
(% change from Jan '91)		
FT-A Netherlands Index	-17.8	+21.1*
CBS All share Index	-17.0	+19.3*
Current Account Balance (\$bn)	10.8	10.4*
Visible Trade Balance (\$bn)	5.6	6.6*

Main Trading Partners		
(1990, % of value)	Exports	Imports
Germany	27.6	25.7
Belgium/Luxembourg	14.7	13.9
France	11.2	7.7
UK	10.2	8.2
EC	78.7	63.6

* May 1991, ** June 1991, *** July 1991, **** Q1 1991, ***** Apr. 1990 to Mar 1991
Source: IMF, Datastream, Economist Intelligence Unit.

ARTS

Coriolanus

BLOOMSBURY THEATRE, WC1

Here, from the National Youth Theatre, is an important and arresting staging of this great political play. Four-fifths of it is so serious, so alive to the issues of this great play, that I am astonished the director, Matthew Warchus, stooped to the other fifth - i.e. the choice of music of which more than half is the least stageworthy. Visually it is highly exciting, and it contains a roster of superb performances.

This is a great ensemble staging, and most commanding of all are the crowd scenes. From the very start, we see a people in ferment. Every person in the crowd is an individual, has his or her own private life, own traits, own concerns. But when we then sense the political structure of Rome, we see how they are bonded together. And we see extraordinary images of a populace bursting to cross the barricades. Some of these images are like frozen snapshots from Eastern Europe in recent years, some are heroic tableaux of revolt like Delacroix's *Liberty Leading the People*, and some are slow-motion versions of mass movement in which details of ferocity cohere with all the violence of an avalanche.

All of this greatly heightens our response to Coriolanus's utterances of contempt for the people. And we see, so piercingly, where he gets it from. When first we see Coriolanus's mother, her life of leisure and privilege is depicted in a few swift strokes: a lit cigarette burns in her outstretched arm, she sits on a chaise longue and her feet are being washed by a servant. Meanwhile, a male/female chorus gently surrounds the edges of the stage, solemnly bearing poppies; and then events centrestage also show fragments of the stage and battle in which Coriolanus earns his name. Mother, warrior, people. The connections and ironies between the three elements all come powerfully together.

The young performers give sharp, earnest, vehement accounts of their roles. As Coriolanus, Stuart Bonas has charm, and at first doesn't convey the pride that has already excited remark. But his stature quickly grows and keeps growing throughout the play; his scorn and his humanity make him the intense focus of every big scene. Alison Lomas communicates Voltemus's passion like some young Margaret Tynan. An effective stroke is to cast women, Amazon-like, as the Volscian warriors; and Cathy Owen is a superb, smouldering Aufidius, though too deliberate in her later scenes.

Neil Warrington, a 1989 Literary Excellence for Stage Design, has produced a single permanent set and costumes that very handsomely suggest ancient Rome, the modern world, and other societies too.

The bad news is that, for atmosphere and impact, scenes are introduced and sometimes accompanied by a selection of These You Have Loved music - ranging from Dido's Lament and Fauré's Requiem to Irving Berlin's "Let's Face The Music And Dance" and Louis Armstrong's "What A Wonderful World." It is dismaying that a production so committed to the play, the populist line of selling its wares with Greatest Hits.

Alastair Macaulay

TELEVISION

Clones kick off the autumn season

Are you ready for the rigours and riches of the autumn season? The broadcasters are on the warm-up lap, gunning their throttles, eyeing their opponents, and trying to appear confident; soon the lights will go green, the accelerators will go down, and there will be the usual crush as everyone tries to cram into the same little space, simultaneously, it is of course, a crazy way to run a television service but, as long as television executives spend their summers in Tuscany, and continue to believe that nobody watches television in the summer, we shall presumably continue to have thin-skinned summers and over-stuffed autumns.

The first news of the season was bad: Channel 4 has decided not to commission any more of *After Dark*, the late night, open ended series which, when it first appeared in this country in 1987 (copied from an Austrian programme) achieved the seemingly impossible. It proved that there was something new you could do with the studio discussion - make it intimate, long, and, crucially, live - and that when you did so, talk on television could once again be fascinating, significant, and even dangerous. It could also be long, and embarrassing, as when Oliver Reed was allowed to indulge his boorishness for far too long.

I understand that the reason for the axing offered to the independent producers is that Channel 4, under the terms of its famous "renewal", cannot stop being innovative and must therefore find space for a fresh round of innovation. This is an interesting but highly suspect argument because whereas *After Dark* is different from everything else, *Brookside* and

Countdown are most decidedly not - yet these two series, both of which began on Day 1 of CA, sail serenely on, unaffected, it seems, by the need for innovation.

Meanwhile, in the least innovative move of the year, C4 has announced it is buying the rights to repeat *Please Sir?* and *Upstairs Downstairs*. No doubt these will help maximise the channel's audience share and promote the sale of its own advertising time once the competition heats up after the insane ITV franchise auction. But what does that have to do with the remit? Let's hope that Alan Yentob has the sense to grab *After Dark* for his channel, BBC2, thus simultaneously winning the gratitude of the viewers, brownie points from his superiors, and another chunk of independent production to go towards the BBC's 25 per cent quota.

Meanwhile the new season has already begun in some places. Saturday evening on BBC1 brought the first episode in a drama series devised by the two actresses, Eileen Atkins and Jean Marsh, who, 20 years ago, invented *Upstairs Downstairs*. The new series, *The House of Eliott*, if not a clone, looks like a close relative. As an elderly woman in the opening episode was played by Jean Anderson who, incidentally, was required to remark of a girl whose father was in trade that he was "A bit below the pale" which makes a change from being beyond the salt. Miss Anderson will be remembered by many as the matriarch in *The Brothers*, BBC1's drama series in 1972, produced by Gerard Glaister. He brought new interest to what would otherwise have been a fairly routine yarn of amours, family politics, and money by setting it against an

unusual business background - haulage. He used a precisely similar formula in BBC1's more recent Sunday evening series *Howard's Way*, though now the business was boat building.

This season Glaister has come up with yet another variation: the love affairs, money troubles, business jealousies and drinking are much the same, but the new Sunday evening title is *Trainer* and the background this time is horse racing. Episode 1 contained no signs of having been written by somebody with a passionate desire to use the drama to convey their unique perception of the human condition, and it showed no promise of telling you anything you did not already know about the way people behave. However, it was made with the sort of practised professionalism which we expect from the BBC, so that it looked good - all that location work on the gallops, and at the race meeting - and the acting from a cast which included Susannah York, David McCallum and Nigel Davenport is, of course, better than adequate.

Much the most interesting series so far in the new season, however, has been BBC2's *The Last Days of Lenin* which, in each of its slots, is pairing a fairly substantial documentary with an edition of *600 Seconds*, an opinionated 10-minute current affairs programme, originated in Leningrad, which has become famous all over Russia. The great value of the BBC2 series is that it serves as a brake on any euphoria one might have felt about events in the Soviet Union. For anyone who thought from the news programmes that we were witnessing the triumph of the spirit of enlightenment, these documentaries will come as a

thrilling performance by Jansons and The Philharmonia earlier in the year. Assuming the possibility of a poor relay, I attended Monday's Prom in the hall. There the orchestra's sound could unquestionably be heard to be thick and ungainly, a legacy perhaps of its time under Daniel Barenboim. The strings hang a heavy curtain across the orchestral spread through which other instruments, save for the braying horns, find it difficult to penetrate. They play with cellos in the middle and violas to the right, the same arrangement as the Czech Philharmonic used in Edinburgh last week, though to the opposite effect: the Czechs made everything crystal clear, while the Parisians leave us hearing less than usual.

These problems notwithstanding, Bychkov aims to get his orchestra to play with virtuosity. Kodaly's *Dances of Galand* opened the second concert with racing speeds to get the adrenalin going. His performance of Strauss's *Also sprach Zarathustra* later in the evening was less

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With the Philharmonia set to take up a residency in Paris it looks as though there may be an increase in orchestral traffic across the Channel. There has never been a great deal of activity in the other direction, although the Orchestre de Paris does make more visits than it used to.

This week the orchestra came over for a pair of Proms, on Monday and Tuesday, first on the radio on Sunday and found it very disappointing. The lack of rhythmic fibre in the accompaniment to Beethoven's Fifth Piano Concerto was so debilitating that it was difficult to see how any progress could be made against it by the soloist, Philippe Bianconi. His clear-headed playing presupposed a quite different kind of performance.

Nor did the main work of the evening, Shostakovich's Tenth Symphony, carry any more elation. Semyon Bychkov, the orchestra's Music Director, kept the symphony from drifting into self-indulgently slow speeds, but the playing was still sluggish. There was no comparison with the



New series: "Trainer" (top) and "The House of Eliott" (right)

bucket of cold water. Listening to the people in Leningrad you realise it is not a question of "Onwards and upwards to democracy" but "Give us back our glorious two-headed eagle", not progression but retrogression. There is little evidence here of a desire to move forward to a modern state but many hints of a longing for old certainties. Even Nevzorov, the young journalist who has managed to establish *600 Seconds* as his personal pulpit, turns out to be a KGB-loving reactionary who declares that he does not understand democracy. He tells his viewers that the accounts of deaths in the Baltic republics under the tracks of Russian tanks are fairy stories. Out in the streets fierce old ladies tell the cameras that in Stalin's time the shops were stocked and Russia was a top nation. It all sounds remarkably like nostalgia bordering on atavism.

Christopher Dunkley



Hard Times

LYRIC STUDIO, HAMMERSMITH

Stephen Jeffreys' adaptation of *Hard Times* is a workmanlike condensation of Dickens was first performed in 1989 and stands as a small little monument to its time. Commissioned by Cumbria's Pocket Theatre at a time when the RSC's *Nicholas Nickleby* had made the Victorian novel into big box office, it picked up a trend that had been pioneered during the 1970s by companies such as Mike Alfreds' *Shared Experience*.

While the taste of the time was for extravagant epics (eight hours in the case of *Nicholas Nickleby*), Jeffreys, who had served his apprenticeship in the impoverished regional sector - shrewdly opted for a chamber version, refining the novel down to a two-and-a-half hour piece for four actors and a dozen or so costumes, most of these only glancingly represented by a lace fichu, a gaudy waistcoat or a hurriedly draped shawl.

The result is ideal for the small companies working in small venues that have continued to keep the royalties flowing Jeffreys' way ever since, and which finally brought it to the notice of the GCSE examiners. It arrives somewhat wearily at the Lyric, Hammersmith, at the end of a lengthy tour by the cheekily named Not the National Theatre, an actor-led ensemble founded in 1984.

The combination of play and performers provides the sort of evening that is food and drink to the literate temper. If not exactly chamber, under Giles Block's solid but undizzy direction, the inhabitants of Coketown emerge a little mustily at first, although Jeffreys is an accomplished enough story-teller to carry them through early longeurs.

Here, in the performance of the evening from Jeffrey Perry, is the joyless schoolmaster Gradgrind - but of Dickens' anti-utilitarian sermon and his farcical, gaudier son; here, from a pure-mouthed Dora Edmonds, is Gradgrind's long-suffering daughter, Louisa, the very essence of filial repression.



Leonard Kavanagh and Lilian Evans

But Leonard Kavanagh gives an oddly listless performance as the self-promoting Bourgeois, elderly industrialist husband to Louisa, and the treacherous Harthouse, who attempts to seduce her. Lilian Evans, perky convincing as the circus-girl, Sissy, lacks the starchy venom of the vile Mrs Sparsit. It is all very competent, but one looks in vain for the imaginative exuberance, the cutting edge of caricature that has distinguished the best interpreters of Dickens, from Box to Eynon Williams.

Claire Armitstead

Orchestre de Paris

ROYAL ALBERT HALL/RADIO 3

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showy than expected, but again the music sounded unpleasantly congested. The Royal Albert Hall has had some of its acoustic flying saucers removed this year and there is a longer echo to deal with; but no other orchestra has suffered from it as badly as this. The Orchestre de Paris's ensemble is simply not sharp enough.

The item of value in this second evening was the Second Symphony of Dutilleul, written in 1959. The music, even at its most derivative, is always alive with interest. Dutilleul inherited the native French gift for conjuring exotic sounds from an orchestra and this work is full of allure, even when the composer seems intent on telling us how much he loves *The Rite of Spring*. Bychkov and his players gave it a convincing symphonic thrust, though not the pointillist precision of colours that it demands. That would seem to be outside the orchestra's powers in its present state.

Richard Fairman

Sun Ra and the Omniverse Ultra 21st Century Arkestra

RONNIE SCOTT'S

Somehow Ronnie has managed to squeeze Sun Ra and his eleven piece Arkestra into his Frith Street club for the week - much to the bewilderment of passing trade. Bringing much the same line-up as was seen at Brixton last year, with the addition of a mighty African drum, 77-year-old Ra himself appeared terribly frail on Monday night. He had to be helped into place by two bearers and fixed, deadpan at the key-boards in his twinkling gold Lurex robes.

The Arkestra's space cadets, dressed as astral pearly kings, had moved into position earlier and set up an ominous rumbling of percussion and trumpet fanfare which, with the arrival of their master, slid into a severely wonky Ra anthem, "Love in Outer Space". "A celestial refrain," as the lyric goes, which is sung

smilingly and endearingly without time by violinist June Tyson alongside a swaying brass section. The heartwarming big band singalong has been played innumerable times by the Arkestra and still it is delivered with the fervour and genuine eccentricity of a cult sect meeting after a lengthy break.

The component parts of the Arkestra's music are more or less straightforward, comprising overtones from Ellington big band sounds through Monk-style bebop to freedom. The difference is, he is an original - he has pioneered the use of synths in jazz - and he can stir all this music together, with much percussion, in one glorious Technicolor set.

This night Ra stuck with his own chantable material, "Sunset on the Nile", for

example, with its searing solos passed down from trumpets to sax to flute. He entered the free zone with some rip roaring improvisation from altoist Marshall Allen and, at last, the churning tenor of John Gilmore, an Arkestra acolyte for 40 years. After an attacking trombone solo from Tyrone Hill and Tyson's smoking violin, the entire ensemble, Ra aside, went walkabout between the tables, their energy uncontrollable.

Sun Ra, silent throughout and even more solemn than usual behind his sunglasses, scribbled the while on keyboards, eventually reining in the itinerants with his melancholic theme, "Space is the Place... outer space is a pleasant place."

Garry Booth

INTERNATIONAL ARTS GUIDE

AMSTERDAM

Musicaltheater 20.00 Harutun Hachaturian conducts Richard Jones' Breznev Festival production of Tchaikovsky's *Mazepa*, with Sergey Lefteruk in the title role and Lyubov Shorina as Maria. Further performances on Sep 7, 10, 13, 16, 18, 22, 25, 28 and Oct 1. (0255 455/credit card bookings 0211 2111).

BERLIN

Staatstheater unter den Linden 19.00 John Cranko's ballet *The Taming of the Shrew*, repeated tomorrow (see Berlin 2004 703). Deutsche Oper 19.30 Jiri Kout conducts Tony Krümler's production of *Kaya Kabanova*, with Karan Armstrong in the title role. Tomorrow and Sun: Meyerbeer's *Les Huguenots* (West Berlin 3410 240).

COLOGNE

Philharmonie 20.00 Helmuth Müller-Brühl conducts the Cologne Chamber Orchestra in an all-Mozart programme, with soprano Sandra Schönerhans and pianist Homero Francese.

repeated on Fri. Sat: concert performance of Johann Strauss' operetta *Wiener Blut*. Sun at 11.00: James Conlon conducts the Gürzenich Orchestra in a Mahler and Mozart programme (2801).

FRANKFURT

Alte Oper 19.30 Seiji Ozawa conducts the Boston Symphony Orchestra in Ivor's Central Park in the Dark (1906). Bartok's Concerto for Orchestra and Beethoven's Eighth Symphony. Tomorrow: Pierre Boulez conducts the Ensemble InterContemporain (1340 400).

HAMBURG

Hauptkirche St Michaels 20.00 Josef Panek conducts the Prague Chamber Choir in Brahms' *Marienlieder*, Bruckner's *Spiritual Songs* and Dvorak's *Mass in D major*, with organ soloist Josef Kalca and vocal soloists Daniela Souvova, Maria Benackova, Stefan Margalla and Zdenek Harvanek (448226).

Musiktheater 20.00 Ekkehard Richter conducts the Camerata Hamburg in Brahms' *Serenade No 2*, Martinu's *Partita* for string orchestra, Suk's *Serenade* and Dvorak's *Romance* for violin and orchestra. Tomorrow: Midori plays Dvorak's *Violin Concerto* (448226).

HELSINKI

Finska-Huset 19.30 Esa-Pekka Salonen conducts the Finnish Radio Symphony Orchestra in a concert of works by Magnus Lindberg, including the premiere of his new Piano Concerto, followed by Paul Creston. Tomorrow: Sergiu

Commissiona conducts the Helsinki Philharmonic in music by Rimsky-Korsakov and Stravinsky, plus a new Clarinet Concerto by Einar Englund, soloist Richard Stolzman. Fri: Jukka-Pekka Saraste conducts works by Lindeberg and Kimmo Hakola. Sat and Sun: Simon Rattle conducts the City of Birmingham Symphony Orchestra in the closing concert of this year's Helsinki Festival (9700 4700).

LONDON

MUSIC Coliseum 19.00 Jerzy Maksymiuk conducts Jonathan Miller's production of Don Giovanni, with Steven Page in the title role and Jane Eaglen as Donna Anna. Tomorrow and Sat: Billy Budd. Fri: Werther (071-836 3161). Royal Albert Hall 19.30 Simon Rattle conducts the City of Birmingham Symphony Orchestra in Prokofiev's Fifth Symphony and Sofia Gubaidulina's *Offertorium*, with soloist Gidon Kremer. Tomorrow: Rattle conducts Mahler Ninth. Fri: Andrew Davis conducts European premiere of Tippett's *Byzantium* (071-823 9998).

THEATRE

Royal Shakespeare Company in the Barbican main theatre, the RSC is previewing Shakespeare's *Richard II*. The production, directed by Ron Daniels, with Alex Jennings as the young king. Press night next Tue. The Pit previews *Curse of the Starving Class*. Sam Shepard's darkly humorous tale of family life in middle America. Directed by Robin Lefevre, with a cast including Susan Fleetwood. (071-838 8821). New Shakespeare Company

This is the last week of the season at the Open Air Theatre, Regents Park. Tonight and tomorrow: The Boys from Syracuse, Rodgers and Hart's witty 1938 variation on the theme of *The Comedy of Errors*, directed by Judi Dench. Fri and Sat: Roy Hudd stars as Bottom in *A Midsummer Night's Dream*, in a production which plays the comedy to the hilt (071-486 2431). For ticket information about all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430655 Musicals 0836 430680 Comedies 0836 430681 Thrillers 0836 430692.

LUCERNE

Kunsthaus 20.00 Riccardo Chailly conducts the Royal Concertgebouw Orchestra in Brahms' Third Symphony and Dvorak's Violin Concerto, with Midori. Tomorrow and Fri: Lorin Maazel conducts the Vienna Philharmonic Orchestra. Sat and Sun: Semyon Bychkov conducts the Orchestre de Paris, with violin soloist Viktoria Mullova. The Lucerne Festival runs till Sep 11 (041-235272).

NEW YORK

MUSIC New York State Theater 20.00 Louis Quilico returns to the City Opera to sing the title role in a new production of Frank Loesser's 1956 musical *The Most Happy Fella*, conducted by Chris Nance and directed by Arthur Allan Seidman, repeated on Sun at 14.00. Tomorrow: Madama Butterfly. Fri: The Cunning Little Vixen. Sat matinee: *Le nozze di Figaro*. Sat evening: *Cav and Pag* (870 5570). CFF BROADWAY THEATRE

● The Matchmaker: Dorothy Loudon, Joseph Bova, Lisa Emery and Jim Fyfe star in this revival of Thornton Wilder's farce, set in Little Old New York in the 1880s. Directed by Lonny Price (Rounded Top Theatre, 100 East Seventeenth Street, 420-1863).

● Breaking Legs is Tom Dulack's sitcom about what happens when the Mafia meets Broadway: Philip Bosco and Vincent Gardenia play a pair of mobsters who back a new play to promote their own interests (Promenade Theatre, Broadway at Seventy-sixth Street, 590-1313).

● Line: Israel Horowitz's play, now in its 16th year, about five people who want to be first in line. Directed by Doug Lieth, showing Wed, Sat and Sun. In repertory with *L-land*, excerpted from Sonia Piger's novel about the ups and downs of daily life in Manhattan. Directed by Laura Joseph, showing Thurs and Fri (Thirteenth Street Theater, 50 West Thirteenth Street, 675-6677).

● Tony N' Tina's wedding: a wedding at St John's Church, 81 Christopher Street, followed by a reception at 147 Waverly Place, with Italian buffet, champagne and wedding cake. Rick Pasqualone and Sharon Angela are the happy couple (279-4200). Ticketron answers inquiries and sells tickets (246-0102).

followed by a new production of Don Giovanni in the National Theatre, staged by Walter Pagliaro and conducted by Gustav Kuhn. At the Smetana Hall on Sat, Carlo Maria Giulini conducts the Orchestre de la Scala, Milan, in a Mozart and Beethoven programme. On Sun, Jiri Belohlavek conducts the Czech Philharmonic Orchestra in a Mozart and Dvorak programme at 17.00. In the Spanish Hall of Prague Castle, followed by a performance of La clemenza di Tito in the National Theatre. The Mozart Festival continues until Sep 29, with visits by the Cologne Opera, the Vienna Philharmonic Orchestra, the Bamberg Symphony, the Gustav Mahler Jugendorchester and others. Pre-booking at Sluna ticket agency, Wenceslas Square 26, and Cedok.

STOCKHOLM

Konserthuset 19.30 Gennady Rozdostvensky conducts the Stockholm Philharmonic Orchestra in a Tchaikovsky and Stravinsky programme, repeated tomorrow (244130).

Royal Opera 19.30 Carmen, sung in Swedish with Ingrid Tobiasson in the title role and Solveig Kringsjebot as Micaela. Fri: Don Giovanni (248240).

VIENNA

Staatstheater 17.00 Horst Stein conducts Parsifal with Placido Domingo in the title role, Bernd Welk as Amfortas, Kurt Moll as Gurnemanz and Waltraud Meier as Kundry. Tomorrow: Die Zauberflöte. Fri: Der fliegende Holländer (51444 2960).

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Wednesday September 4 1991

The only road for Poland

WHEN the Polish government bravely set about the radical path to economic reform in 1990, it set high standards for the rest of eastern Europe. Mr Leszek Balcerowicz, the finance minister and one of the chief architects of Poland's reforms, embarked on a programme aimed at bringing down inflation, reducing the budget deficit, and making the economy a stable currency. His uncompromising stance earned praise from the international community. But as unemployment rose to 8.4 per cent of the labour force and, in the first five months of the year, gross domestic product fell by 1.9 per cent, the resolve of the Polish government was tested. This is understandable. Mr Jan Krzysztof Bielecki, the prime minister, faces the electorate next month.

The recession cannot be attributed solely to Mr Balcerowicz, or his prime minister. The main problems have been the rigidities of the old Polish economy and the slow pace of structural reform. That slow pace has been partly a result of the political constraints on more decisive action. Last autumn's presidential election campaign, which was won by Mr Lech Walesa, interrupted the reform process. Also, by agreement with the former regime, the government is saddled with a parliament not democratically elected and still dominated by communists. To its credit, the Sejm has worked at top speed to enact financial and economic measures consistent with European Community practice. But in failing to seize the opportunity last May for holding free parliamentary elections, the government was deprived of a mandate to consolidate its reforms. Pressure to soften policy in the run-up to the elections will be great.

Lax discipline

It is this lack of legitimacy which has slowed the pace of privatisation and structural reforms. Regulations concerning foreign investment have still to be settled. Discipline in the banking system is lax, as witnessed by one conspicuous scandal. Controls on lending to insolvent enterprises are few; the quality of loan decisions to state enterprises is inadequate.

Pay-setting in the 1990s

TODAY'S TUC debate, entitled collective bargaining strategy for the 1990s, is sure to generate much heat. Regrettably it will throw little light on what is a central challenge for UK economic policy. The delegates will debate a contradictory notion that suggests a need for co-ordinated pay bargaining, without specifying what this actually means or why it is important. The reason, of course, is that union behaviour is part of the problem.

It is, in fact, much easier to diagnose the UK pay problem than to prescribe a cure. The age-old problem of excessive wage inflation has persisted through the 1980s; greater decentralisation has not helped. In that decade, the annual rate of wage inflation in manufacturing remained above 6.9 per cent, despite record unemployment.

Once unemployment started falling in 1986, and as skill shortages developed, unions pressed for higher wages while companies were happy to outbid their competitors. The result of this leap-frogging was a rise in wage and then price inflation. Companies raised their prices to protect profit margins, while UK unit cost growth outstripped the European competition. The rest is painfully recent history.

Membership of the exchange rate mechanism only makes the cost of this collective irrationality more immediate. With sterling fixed in the ERM, UK unit labour costs cannot exceed those of the competition without further reducing the competitiveness of the country's exports. UK wage settlements must therefore fall to an annual rate of between 4 and 5 per cent. After four quarters of recession they have still not fallen far enough.

Affordable settlements

The challenge will be to keep them down once the recovery begins, without requiring unemployment to remain acceptably high. The solution must be to inject some degree of co-ordination into the bargaining process so that companies and unions are constrained to reach wage settlements that the economy can afford.

In short, it means wage restraint, however hard the

These hangovers from the old centralised system are delaying sustained economic recovery.

The external climate has also been unkind. The continuing reluctance by the EC to lift trade barriers, particularly for agricultural products and textiles has hindered the expansion of exports. Despite some success, Poland will end this year with a trade deficit of over \$1bn. Furthermore, the switch to the dollar clearing system between eastern Europe and the Soviet Union led to a sharp fall in contracts and profits for Polish enterprises. Taken together, these factors explain why the budget deficit has risen from 0.3 per cent to 2.5 per cent of GDP over the past eight months.

Unpopular decisions

The prime minister is in a bind. On the one hand, he wants to reassure western financial institutions that he will persevere with the reforms. This will mean making unpopular decisions about reducing the deficit before the elections. On the other, Sejm deputies also face the electorate and are reluctant to agree cuts in public expenditure.

This deadlock has prompted Mr Bielecki to seek constitutional amendments enabling the executive to bypass parliament. If accepted, this proposal would set a precedent in which accountability invested in any future democratically-elected parliament could be weakened.

Mr Walesa and his prime minister are taking these steps because they fear that an electoral law based on proportional representation will lead to a proliferation of parties and hence to political instability. The need to strengthen the executive is as much a response to the fears of dealing with an unwieldy parliament, as to fear about the economy.

Poland does need a strong executive to deal with the problems it faces, but it also needs a parliament with accountability. A balance will have to be struck. But, for now, the government must not panic. Mr Bielecki's government must persist with a sound financial policy, since this remains the only viable path towards a successful and competitive Polish economy.

unions wriggle to avoid saying so. Furthermore, co-ordination must be combined with decentralisation so that wage differentials reflect local market conditions.

What form might this co-ordination take? First, employers and unions would accept that the style of pay-ERM wage bargaining, with pay deals based around a backward-looking measure of retail price inflation, is no longer feasible. The correct inflation rate to bargain around is the lowest expected average rate of wage inflation in the ERM.

Shorter round

This forward-looking estimate would ideally be made by a new and independent forecasting body, a council of economic advisers, before the autumn wage round. The incentive for companies not to leap-frog would be further enhanced if the annual wage round were compressed into a much shorter period.

This is about as far as pay co-ordination in Britain should go. Centralised bargaining-type meetings between employers and union leaders are as undesirable as they are, in the near future, unlikely. Even more damaging would be so-called deals between employers or unions and the government, whereby the latter promises increases in nominal or real incomes, or other social benefits, but only in return for wage restraint.

To try to sandwich the pay round between the Autumn Statement and the Budget, as the Campaign for Work has suggested, would smack of just such manipulation. Past evidence suggests, overwhelmingly, that neither the government nor the TUC has ever been able to deliver. There is no reason to believe they could do so now. For Labour it would be asking for trouble.

Much better to employ an independent central bank, empowered to tighten monetary policy if wages rise too fast. Currently, the Bundesbank is doing precisely that in Germany while effectively imposing the same discipline on a recession-weary UK through the ERM. The case for an independent Bank of England will not go away.

When President François Mitterrand mismanaged his initial television response to last month's attempted coup in the Soviet Union, he came in for fierce attacks from all sides. After he appeared to acquiesce in the coup by referring immediately after it to "the new Soviet leaders", some critics implied that advancing age (he is 74) had impaired his touch at a critical moment; others went for a broader innuendo that his legendary judgement in foreign policy was profoundly out of step with the rapidly changing world.

Given the unpredictable pace of change on the international scene, it might have been reasonable for critics to overlook a temporary error of judgment. What makes the Mitterrand episode so interesting is that, like a tropical storm, it has continued to roll round and round the French political firmament, rumbling ominously and casting an ever darker shadow.

Part of the explanation, of course, is seasonal. When the Soviet putsch story broke, France was on holiday and it is only now that the heavy hitters in politics and the media are returning to the world of work. Moreover, the seaside conferences of the main political parties, which peaked early this week, have been providing excellent platforms for pumping up the controversy.

But it is beginning to look as if the Mitterrand episode may have been more than an episode. In the Soviet Union, the consequences of the failed coup have been far greater than anyone could have predicted two weeks ago; by the same token, its international ramifications, and its impact on French politics, may also be more far-reaching. If the tropical storm is still rumbling around the French political firmament it is because the tropical storm is still rumbling around the international firmament.

As so often, the most penetrating analysis of the situation has come from Mr Serge July, the brilliant editor of the newspaper *Libération*. The deep problem, he suggests, is not that President Mitterrand is old or enfeebled, but that his natural rhythm of political action is out of kilter with the pace of events.

This underlying pattern was obscured earlier this year, because President Mitterrand was able to give a virtuoso performance of his slow strategy during the long six-month build-up to the Gulf war. Not merely did he soar to new (if temporary) heights of public popularity, but he reduced virtually all his political opponents to loyal acquiescence.

They are now taking their revenge, by attacking him in the inner sanctum of his foreign policy and they are also drawing a sweeping domestic conclusion from the aftermath of events in the Soviet Union: Socialism, they smile, is dead.

From such people such a conclusion is obviously wishful thinking. But there is little

Ian Davidson asks if Mitterrand can recover his political poise

Marathon man falters



presidential elections of 1988. But since 1989 and the fall of the Berlin Wall, the world has moved too fast for him. Throughout the past two years, Mr Mitterrand has put on a display of serenity, but he has repeatedly revealed that he really wanted to slow down the kaleidoscope of change, whether it was the unification of Germany or the rise of Boris Yeltsin and the Russian republic.

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From such people such a conclusion is obviously wishful thinking. But there is little

doubt that the upheavals in the Soviet Union and eastern Europe are creating large additional complications for President Mitterrand's strategies at home and in Europe.

At home, President Mitterrand has long pursued a strategy of a *de facto* union of the left in which the reduced Communist party could be relied on to support the Socialists in parliament. Mr Michel Rocard, the former prime minister, tried to build *ad hoc* coalitions in the centre, but his replacement in May by the left-wing Mrs Edith Cresson looked like an attempt to breathe new life into the old alliance.

And yet this old alliance was

already beginning to suffer from fatal weaknesses. The shrinking Communist party is already fast losing any plausible future as a parliamentary prop; Mr Mitterrand had no intention of gratifying it in policy terms, and there is little evidence that a leftward swing would be an election-winning recipe. These weaknesses can only be magnified by the collapse of the Communist party in the Soviet Union.

Mr Mitterrand may be a lifelong anti-Communist, but he

has no electoral interest in the disappearance of the French Communist party; for in the last analysis, a reduced Communist party in France can hope for nothing except an alliance with the Socialists. His instinctive preference would be a slower pace of change, but that option seems to be evaporating fast.

In Europe, President Mitterrand's strategy for securing far-reaching new treaties on political and economic union this year can only be complicated by the dislocation of the existing order in Europe. In logic, the disintegration of the Soviet Union should reinforce the case for a more united Community, but in the short term it could become a pretext for opponents of the Community model who would use the example of the breaking up of the Soviet empire as an argument against moves towards federalism in Europe.

But it is at home that President Mitterrand's dilemma is most acute. Since the spring, it has looked increasingly probable that the Socialists would be comprehensively defeated in the next general elections in an opinion poll in May suggested that the traditional conservative parties would win a sweeping majority of seats, without having to depend on the extreme right-wing National Front.

If the appointment in the same month of the rascals Mrs Cresson was intended to reverse the trend, it backfired badly; almost immediately, her standing in the polls plunged steeply, and she has taken President Mitterrand down in her wake.

Speculation now suggests that President Mitterrand might dump Mrs Cresson, and call on Mr Jacques Delors, president of the European Commission, to replace her. Even if Mr Delors failed to avert defeat in the elections, he would have made a dignified re-entry to French politics and would be seen as a plausible Socialist candidate for the presidential elections of 1995.

Such a stratagem would have a double logic. First, Mr Delors is largely untainted by the bitter factional rivalries inside the Socialist party, and might be able to pose as a unifying candidate while the Socialist party could be relied on to support the Socialists in parliament. Mr Michel Rocard, the former prime minister, tried to build *ad hoc* coalitions in the centre, but his replacement in May by the left-wing Mrs Edith Cresson looked like an attempt to breathe new life into the old alliance.

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criticism, have underperformed the market by more than a third over the past year. A highly geared oil company in a high-risk business can be an unpredictable animal and Ultramar has been no exception. A bankers' lifeboat has had to be launched to buoy up his next change: National Home Loans. And Brel's management problems have been evident for some time.

As a non-executive chairman of NHI and Brel, Darby may be an innocent victim of events beyond his control. But he has yet to demonstrate that he is a chairman who deserves the backing of the smart money.

Play it again

Matsushita Electric has come up with a product for video traders who want to make their research has shown that the average Japanese family owns 50 video tapes, but has "no idea" what is recorded on 40 per cent of them.

The solution: an electronic brain indexing system. Matsushita says it will eliminate the need for such classic queries as: "What's on this tape, anyway?" Only problem is that the machine has to be pre-programmed with recording instructions which could prove harder than playing the tapes to see what is on them.

Wakey, wakey

Animal rights enthusiasts will be cock a hoop at a verdict just handed down by a court in the Italian Riviera resort of Spotorno. After decibel checks by police, the judge cleared a farmhouse rooster which a Milanese holiday-maker staying close by had accused of unwarrantably disturbing his rest.

The case has inspired Spotorno's mayor to go further. He has issued an ordinance that henceforth all "sound emissions" by domestic animals must necessarily be considered within bearable levels.

OBSERVER



mer diplomat who heads CGIP, the French investment group which holds 25.5 per cent of CMB. The other is young Didier Oury, former industrial adviser to President Mitterrand and in charge of strategy for CMB since July.

The temptation is to conclude that all this bodes ill for other attempts to get French and British managers to work together. However, bankers in Paris believe this is more to do with a clash between management approaches than national cultures.

Triple trouble
John Darby, chairman of train manufacturers Brel, is yet another successful accountant (he was chairman of Arthur Young for more than a decade) whose move into commerce has not been an unqualified success. The three main companies of which he is chairman all seem to have been having more than their fair share of problems.

The shares of Ultramar, where his salary has attracted

criticism, have underperformed the market by more than a third over the past year. A highly geared oil company in a high-risk business can be an unpredictable animal and Ultramar has been no exception. A bankers' lifeboat has had to be launched to buoy up his next change: National Home Loans. And Brel's management problems have been evident for some time.

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Postman's plan

Roland Rudd talks to Sir Bryan Nicholson, Post Office chairman

It is not customary for the head of a nationalised monopoly to come forward with radical proposals for increasing competition in his industry. However, at first sight something like that appears to be the intention of Sir Bryan Nicholson, the Post Office chairman.

Faced with government plans to erode the Post Office's monopoly on delivering all letters costing less than 21p by allowing private couriers to compete, Sir Bryan says he embraces the idea of liberalisation, and is putting forward his own ideas for change.

In one sense he has no choice but to endorse his sole shareholder's aims. But Sir Bryan has reasons of his own for advocating more competition: he wants the Post Office to be freed from the shackles currently imposed on it by the government, so as to be better able to take on the private courier companies that are keen to enter the UK mail delivery business. And - whatever the government intends - he wants to do it on his own terms, with minimal official regulation.

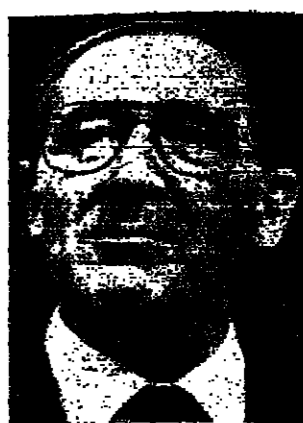
"The [letters] monopoly was always a bit of an albatross," he says. "The government's proposals take us off the book of having to stay where we are. It is difficult to change our service within a monopoly framework; it is much easier within an open market."

This is not Sir Bryan's first attempt at getting the government to accept changes to the Post Office's status. Earlier in the year Mr Lilley rejected his proposal for a so-called premium delivery service, guaranteeing an early next morning delivery, which would cost about 35p an item. Residential delivery would have been staggered throughout the day. The government was not convinced that the implicit discrimination between business and residential mail would be politically acceptable while the Post Office retained its overall monopoly on mail services.

Mr Lilley now plans to reduce that monopoly to services costing less than 25p - just above what will soon be the price of a first class stamp - but also to regulate the industry more closely.

Here is the rub. Sir Bryan thinks these proposals need much more consideration. "It is a delicate balancing act to inject more competition while preserving a uniform national service. It can be done, but it will require a lot of work."

He believes the Post Office could maintain its universal and uniform service nationwide - within a competitive framework - by separating first and second class mail operations. The Post Office would retain its monopoly over letters costing less than 24p. This would be a standard public service which he claims would be better than the current second class but not as good as first - and would make a profit on its own; at present, second class mail, costing 17p, is heavily subsidised by first class. A report by the consul-



Sir Bryan: more competition tants Ernst and Young, commissioned by the Post Office, showed that this separation was feasible.

The Post Office would also offer a premium service - a new first class service aimed at businesses - costing about 35p an item and guaranteeing an early next day delivery. This is a variation on Sir Bryan's earlier, rejected proposal - but he thinks it stands a greater chance of acceptance now that the government has decided to erode the letters monopoly.

In addition, Sir Bryan is taking the opportunity to try to free himself from another government-imposed shackle: the requirement that the Post Office deliver letters twice a day. "I can imagine the scenario where the public would want a different pattern of service," he says. "That may mean that one delivery a day would be acceptable."

As with other nationalised or once-nationalised companies, however, the real dispute that lies ahead is over regulation. Sir Bryan wants the Post Office to be subject to less of it, not more as envisaged by Mr Lilley. The government would strengthen supervision of the industry through the appointment of a new body, Ofpost, similar to Ofel, the telecommunications regulator. This would advise on whether each step towards competition could be undertaken without compromising the Post Office's ability to deliver a universal service, which is likely to remain the government's main concern.

The government - and naturally enough Sir Bryan - are anxious that private operators, such as TNT, the Australian transport group, should not be allowed simply to pick off the most lucrative business routes, leaving the Post Office to handle loss-making provincial services. As he sees it, the regulator, preferably publicly accountable for its decisions rather than operating in secret as Ofel does - will play a crucial role here.

Mr Lilley has received a monthly briefing from Sir Bryan on how the corporation is adapting to the proposed changes since they were published as part of the Citizen's Charter in July. Both men are intent on change, but Sir Bryan is preparing for intense bargaining on how to implement it.

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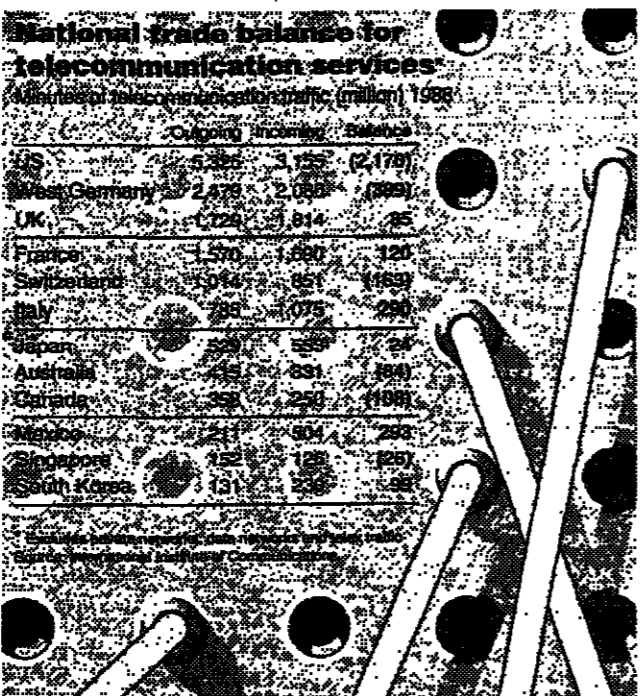
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Heathrow

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Hugo Dixon on international reform of telecoms charges

Counting the cost of calls



US, which paid out \$3bn last year, is leading the campaign. Australia, Canada, Sweden and New Zealand, which face substantial deficits, have also been advocating change.

Momentum for change has been boosted by the fact that the CCITT is no longer acting in a vacuum. The European Commission's competition authorities have launched an investigation into accounting rates and call charges, and the US Federal Communications Commission has threatened to cut accounting rates unilaterally in 1993 if they have not fallen sharply by then.

Meanwhile, there have been economic reports arguing that high call charges restrain world trade and could be harming the interests of the phone companies by curtailing the use of international telecoms.

The argument at this week's meeting of CCITT Study Group 3 is likely to be less about whether accounting rates need to come down than about how to achieve this. There are four main proposals for reducing accounting rates.

● Lower accounting rates should be negotiated but the

system itself should not be changed. Mr Bernard Rouxville, a France Telecom executive who is also chairman of CCITT study group 3, says there is no need for radical change. "By 1993-94 most of the problems raised a few years ago will be solved. Accounting rates will be close to costs."

The move to lower accounting rates has certainly accelerated over the past year. US carriers, led by the largest - AT&T - have negotiated phased reductions in accounting rates of 50 per cent or more with the UK, Spain, the Netherlands and Hong Kong. European phone companies have also agreed to cut intra-European rates by about half.

But experts such as Mr Tom Luciano, who is responsible for accounting rate negotiations at AT&T, argue that rates are still generally far above costs - while costs continue to fall. ● The CCITT should set maximum levels for accounting rates. Sweden has suggested that for calls up to 3,000 km in length there should be a top rate of 0.6 special drawing rights (SDR) - the IMF international currency unit - per

minute, rising to SDR 1.0 for calls of over 6,000 km. Comprehensive figures on accounting rates are not published except by the US but some are understood to be as high as SDR 5.0.

This proposal has been criticised by the US and the UK on the grounds that price caps often end up being norms and that the rates suggested by Sweden are still above costs. Mr Bertil Thoren, director of corporate planning at Televerket, Sweden's telecommunications operator, freely admits this but argues that the figures proposed would still in many cases be below the rates now in force.

● CCITT recommendations should be changed to contain a clear statement that accounting rates should be based on costs, that the rates should be published and that phone companies should not discriminate between different countries.

The US, which is pushing this line, believes that, so long as accounting rates are kept secret, it is difficult to know whether they are based on costs or not. It is also difficult to determine whether a phone company is being unfairly treated. The US argues that publication would lead to downward pressure on rates, because a phone company would be able to argue that its counterpart was giving other phone companies a better deal.

● The system should be abolished. Although this is not on the agenda at the CCITT, this line is being advocated by the Organisation for Economic Co-operation and Development.

The idea is that the accounting rate system should be replaced with a new system of "termination fees". Every phone company would publish one as the price at which it would agree to deliver calls to their final destination. This fee would be the same no matter where the call came from and would be no higher than the country's most expensive long-distance call.

If the CCITT moves to bring accounting rates nearer to costs, that will be only part of the story. Lower accounting rates would remove a barrier to cutting the prices customers pay but that is not the same thing as giving the companies an incentive to cut their prices.

The surest way of providing that incentive would be for governments to allow competition in international telecommunications. Dismantling the industry's monopoly structure would also remove the rationale for the accounting rate system, because phone companies would then be able to provide customers with competing end-to-end services. Most governments, however, have yet to bite that bullet.

Edward Mortimer

A fair deal for minorities



FOREIGN AFFAIRS

The central question in the next phase of European history is: can the Soviet Union avoid the fate of Yugoslavia?

The peoples of both Yugoslavia and the Soviet Union face acute problems of self-determination. Minority rights are the key

other than the Baltic states, which sought to leave the union. In the short term that piece of sabre-rattling seems to have paid off, since both the Ukraine and Kazakhstan - the two republics most vulnerable to Russian irredentism - after first protesting loudly, hastened to sign agreements with Russia maintaining economic and military co-operation. But the threat has revived old fears of Russian hegemony in the other nationalities.

Distrust and resentment of Russia in the non-Russian republics is understandable. It seems to them that Russia is arbitrarily and unfairly using the Russian diaspora to limit their right of self-determination. Ulster unionists feel a similar resentment about the Irish Republic's pretension to interfere in Northern Ireland in defence of the Catholic minority there. Yet there are limits to the right of self-determination, in practice if not in theory.

It is unwise for a majority to disregard a large minority, especially if it is supported by a powerful next-door state

theory, and the most important of them is this: although the right is normally exercised by the majority of the people living in a given territory, it is very unwise and dangerous for the majority to disregard the views of a large minority, and especially so if that minority is supported by a neighbouring state. Secession in itself involves the creation of new international frontiers. Both Serbs and Russians have a good point when they say that any such new frontiers should be fixed by negotiation. But that does not mean that either are entitled to try and pre-empt the issue by force. It is that attempt, in the Serbian case, which the EC is rightly struggling to block.

Wherever frontiers are drawn there will still be minorities on the "wrong" side of them, unless they are to be

eliminated by acts of genocide or mass expulsion. (Such acts disfigured European history in the recent past, but still have not arranged the peoples of Europe into ethnically homogeneous territorial blocs.)

The aim of both national and international policy should be to make these minorities feel at home, so that their grievances do not serve as fuel for endless frontier conflicts.

How should this be done? The necessary condition is that individual human rights should be guaranteed, especially the right to travel and communicate freely across frontiers. But in many cases this will not be sufficient, and some group rights will have to be recognised as well. Minorities will not feel at home if they do not have access to education and information in their own language, which means they must be guaranteed a fair share of the state resources devoted to schools, universities and television, with the right to decide for themselves how those resources are used.

Where a national minority is a local majority it is especially important that it should feel at home if it is not to be tempted by secession. That means that it must feel confident about its ability to remain a majority in its own area without having to change its state allegiance, something which can often only be assured by placing limits on individual freedom.

A good example can be found in Minorities and Human Rights Law, a report issued by the London-based Minority Rights Group. The Åland Islands in Finland maintain their Swedish character through regulations on language, education, regional citizenship and the acquisition of property - even to the extent that the consent of the local commune is required for a child of Finnish-speaking parents to be educated in Finnish. Five years' unbroken residence is required before a newcomer can acquire land or vote in regional elections. These provisions have their origin in one of the first decisions of the League of Nations in 1921. The League awarded the islands to Finland, and the Finns accepted this special status for their Swedish minority as the price of avoiding a destructive border dispute with Sweden.

Who is to say they were wrong?

LETTERS

Insurers must be allowed to use genetic testing

From Mr David Purchase.

Sir, I was interested in your report (August 30) from the British Association meeting on the use of genetic testing. Bob Williamson to ban discrimination by life insurance companies based on the results of genetic testing. This is yet another example of the current trend to argue that, if no "link" is involved, then social pressures against discrimination outweigh normal scientifically-based judgments. Attitudes to HIV testing are, of course, the most topical and critical example.

The social pressures are real and understandable. However, if you ban such discrimination by life companies, how do you also ban discrimination against those who do not actually know that they are at higher risk? If the average sum insured is £250,000 but those at higher risk insure themselves for £250,000, the "community" - here the remaining policyholders - are paying not only for the higher risk but paying for it fivefold.

A limit on cover is not the answer, as those at greater risk could easily insure themselves with far more companies than the norm. Whenever there is a choice on the part of the individual seeking cover, insurers must remain free to exercise their own judgments. Professor Gordon Dunstan is surely right to say that, if society then wishes certain adverse consequences to be avoided, society itself should pay the bill.

David Purchase, deputy chief actuary, Sun Life Assurance, Bristol.

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The behaviour of banks can be a forecasting lodestar

From Mr Perry Aldred.

Sir, There is no need for "forecasters to fly blind" (Leader, August 31) if they can find a lodestar. Anthony Harris was on the track of one when he wrote "Avoiding the crunch questions about credit" in his column on April 2. Here he referred to the number of decisions in UK banks which were being made on the basis of the effect they would have on the career paths of the bankers involved rather than for commercial or economic considerations. The same is true in the US, where similar decisions made for career reasons can create actual changes in the flow of funds within the US economy, some of which tend to be overlooked.

What tends to happen in the US after a year such as 1990 is that US banks will have spent the first quarter of 1991 identifying and reserving for problem loans, and the second quarter avoiding surprises and hoping for stability. Given the competitive pressures the 12,000 US banks cause - where pausing for breath is not acceptable - the current quarter, the third, is seeing the start of new lending in the US as banks strive to create fresh loan books.

There is a similar process at work in the UK, but given the half-yearly reporting cycle here and the common lending experience, starting at the same time as its US counterpart, January 1991, a UK bank will only be raising its head above the parapet and making new

loans, not in the third quarter but in the third half year: this will start in January 1992. The Yasuda Trust Europe Outlook predicted for this reason that there would be economic recovery in the US in the third quarter of 1991. Using the same logic, the Outlook forecast the UK recovery to come through at the beginning of January this year.

Given the various linkages which there are in place through the ownership of multinationals, through the wholesale money markets and the forex markets, the UK economy is much more dependent upon that of the US than is generally believed, with a lag here of six to nine months because of the more frequent reporting periods in the US. This is a view formed by observing the US economy emerge from successive recessions. It has also been formed by making comparisons between the behaviour patterns of US managers over a number of years as they have reacted to the extraordinary pressures which quarterly reporting causes in an open society such as the US and the decisions taken in a more relaxed timetable in the less competitive banking market in the UK.

Perry Aldred, Economic adviser, Yasuda Trust Europe Ltd, Liverpool Street, London.

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How to lose money quickly

From M J Cheetham.

Sir, Further to previous correspondence on Personal Equity Plans, some readers might be interested in the following conclusions, based on five years of bitter experience.

The quickest way to lose money is through traded options, closely followed by warrants.

Unit trusts are a vast improvement. With these, money is lost very much more slowly.

Investment trusts are a good compromise, because their performance falls somewhere between warrants and unit trusts.

As an improvement on this compromise, though, there is nothing to beat a PEP compared to investment trusts. With one of these, all your losses are tax-free.

M J Cheetham, Amwell Cottage, 11 Hassocks Road, Hursley, West Sussex.

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Christmas at convenience

From Mr John Gillard Watson.

Sir, Mr Dodwell (August 31) wishes to fix Christmas Day "for the convenience of traders and commerce". Mr Scrooge had a similar view.

"You'll want all day tomorrow, I suppose," said Scrooge. "If quite convenient, Sir."

"It's not convenient," said Scrooge.

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There is a limited amount of exhibition space available at the conference

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INSIDE

Generali in deal with US insurance group

Continental Corporation, a US property-casualty insurance group, said yesterday it had reached an agreement in principle with Generali, the large but secretive Italian insurer, on co-operation. Page 22

Taylor Woodrow takes provision

The share price of Taylor Woodrow, the UK property and construction group, fell 12p to close in London at 213p after it announced substantial provisions. Mr Peter Drew, chairman, said the results were "an eloquent reflection of the widespread effects of the recession". Page 26

Christiania Bank criticised

The Oslo Stock Exchange has strongly criticised the former management of Christiania Bank, Norway's second biggest bank, for failing to report accurately credit losses. Page 20

Maher signals price war

Pentos, Britain's second-largest bookseller, announced that pre-tax profits of £2.9m (\$4.8m) it also revealed plans which could spark a price war and signal the end of the Net Book Agreement, which for many years has set minimum book prices. "The fact that one of the four major publishing houses has decided to leave the NBA has changed things dramatically," Mr Terry Maher, chairman (above), said. Page 29

Taking stock in Brussels

The Brussels stock market is not the most comfortable place at the moment, due to much-publicised financial difficulties of small stock-brokers and bourse authorities. But many retain confidence. Page 42

Small coup in Siberia

Within months of going to Siberia to sell his consultancy services, Mr Maurice Cartwright, an English mining engineer, has become the first Westerner to own a Soviet coal mine. The potential of the mine is considerable and it is estimated to make a \$22m (£13m) profit by next year. It is set in perhaps the richest coal mining basin in the world, known as the Kuzbass Basin. With reserves of 400m tonnes, the mine produces 2.5m tonnes of high-quality coking coal a year. Page 30

Bowater improves by 5%

Bowater, the UK packaging, printing and engineering group, yesterday reported a 5 per cent improvement in pre-tax profits. Mr David Lyon, chief executive, said: "It's damn difficult to tell when the recession is going to end." Page 28

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Chief price changes yesterday

FRANKFURT (DEM)					
Blues	220	+ 5	Blues	307	+ 16
Continental AG	275	+ 5	Continental AG	307	+ 16
Hesselt	275	+ 5	Hesselt	307	+ 16
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Hesselt	275	+ 5	Hesselt	307	+ 16
Hesselt	275	+ 5	Hesselt	307	+ 16
Hesselt	27				

New York prices at 12:00

LONDON (Pence)				PAULS			
Blues	227	+	5	BTR	322 1/2	-	9 1/2
Continental AG	75	+	8	Continental AG	15 1/2	-	1
Hesselt	373	+	15	Fern	291	-	7
Hesselt	135	+	7	Flachnick	160	-	18
Hesselt AG	208	+	13	Hesselt	380	-	18
Hesselt	283	+	7	ITZ	93	-	12
Hesselt	183	+	14	Thyssen AG	21	-	19
Hesselt	183	+	9	Thyssen AG	98	-	12
Hesselt	183	+	9	Thyssen AG	98	-	12
Hesselt	71	+	7	Thyssen AG	98	-	12
Hesselt	183	+	5	Thyssen AG	98	-	12

UK ministers told to sack Salomon

By Roland Rudd and Hugo Dixon in London

THE British government has been told by its advisers in the sale of part of its BT shareholding to sack Salomon Brothers as its lead US manager.

It seems inevitable that Salomon will be removed from its high profile role in the part sale of the UK telecommunications group when ministers meet this morning. Mr Norman Lamont, chancellor of the exchequer, and Mr Francis Maude, financial secretary, are expected to inform Lord Young, the former cabinet minister who is now a director of Salomon.

Unless he can provide what one adviser called a "wild card" explaining why Salomon has to be retained, the firm will be fired as US lead manager. Goldman Sachs, which was runner-up in the original selection, is expected to be appointed by the end of the week. The other finalists were Merrill Lynch and Morgan Stanley.

Ministers would like to make their decision known today before tomorrow's BT presentation to around 70 analysts. This is the final briefing before analysts' research papers are prepared later this month in advance of the £50n BT sale in November. However, an announcement is not expected until later in the week.

The recommendation to sack Salomon is a blow to the firm as it tries to re-establish its reputation following the news that it rigged recent US Treasury bond auctions. Mr John Gutfreund, the former chairman who was recently forced to resign, made the original presentation to the UK Treasury.

However, Salomon's expected removal will not come as a surprise to some directors. They believed that it would have been difficult for ministers to keep the firm in its present role.

Pentland may increase shareholding in Adidas

By Christopher Parkes in Bonn

PENTLAND GROUP, the British sports shoe group, may increase its shareholding in Germany's Adidas sportswear concern beyond its current 25.05 per cent. Mr René Jäger, Adidas chief executive, hinted in Munich yesterday.

He also forecast a 50 per cent increase in Adidas's operating profits this year - to around DM60m (\$44m) from DM40m - with further progress in 1992.

Mr Jäger claimed that Pentland had exercised the option to buy a further 5 per cent of Adidas which it took out last month when it paid \$48m (\$77m) for its initial 20.05 per cent stake in the company. He said he thought there would be more to follow, noting that Adidas was likely to reduce further its stake in US competitor Reebok.

Pentland raised about \$96m earlier this year by selling part of its holding in Reebok and used some of the cash in July to buy the Adidas Pony sports shoe brand. It followed up a month later with the purchase of its stake in the German group.

Citic consortium in HK\$7bn agreed bid for Hang Chong

By Angus Foster in Hong Kong

A CONSORTIUM led by Citic Pacific, the Hong Kong listed arm of Peking's China and International Trust and Investment Corporation (Citic), is set to win control over Hang Chong Investment, a trading and agency group which is one of Hong Kong's largest unlisted companies.

The consortium, which also involves some of Hong Kong's leading businessmen, yesterday announced a HK\$6.94bn (US\$901m) cash offer for Hang Chong.

Hang Chong's board is recommending the offer and 44.3 per cent of shareholders have already accepted. The bid needs 50 per cent approval to become unconditional.

The deal will transform Citic Pacific into a major concern in Hong Kong and the company is now likely to apply to become a constituent of the Hang Seng index.

According to some analysts, Citic Pacific will be Hong Kong's first mainland Chinese "hong", or trading conglomerate, as 1997 approaches and well-established companies like Jardine Matheson leave.

The Citic group is known as the most aggressive and capitalistic of China's state-owned corporations. It moved into Hong Kong in the 1980s and last year took over a shell company which has been expanded to become the publicly listed Citic Pacific.

Rhône-Poulenc falls 54% in first half

By William Dawkins in Paris

RHÔNE-POULENC, France's largest chemicals group, yesterday reported a 54.4 per cent fall in first-half net profits to FF991m (\$166.2m) after lower asset sales in the second quarter.

By contrast, the state-controlled company's trading performance slipped only slightly, with a 1.5 per cent decline in operating profits to FF3.38bn over the same period. Rhône-Poulenc said it was aiming for substantial growth in operating income for the year. Operating income rose sharply in the second quarter, by 15.4 per cent from the same period of last year, to FF1.6bn.

Rhône-Poulenc attributed this to the continued strong demand for healthcare products, which stockbrokers estimate account for more than half of operating profits following last year's acquisition of Rorer, the US drug maker.

Chemicals and fibres saw an improvement in income during the second quarter, as did the Brazilian subsidiary, Rhodia. Agrochemical profits fell in the second quarter.

Group sales rose 5.7 per cent in the first half, to FF42.28bn from FF39.99bn in the first six months of 1990. Interest charges rose from FF1.66bn to FF2.2bn, a legacy of a heavy international



Inside Tokyo's stock exchange: daily trading volume has slumped to below 500m shares as private investors have stayed away

A slap in the broker's face

Japan's scandals alienated private investors, reports Michio Nakamoto

As officials from Nomura Securities, Japan's biggest broker, gather this month for their biannual branch managers' meeting to assess the harm done by recent securities scandals and consider strategies for the future, their thoughts will no doubt turn to one of the most damaging legacies of the recent events - the alienation of the individual investor.

Private investors are still fuming over revelations of unequal treatment by the country's leading brokers. Their anger has been fanned by rising suspicions that Nomura Securities had manipulated trading in a particular stock to benefit a gangster group.

Morale in the industry has hit rock bottom. Daily trading volume, which averaged between 1bn and 2bn shares in the market's heyday, has slumped to well below 500m. Last month, volume slumped to below 200m shares for nine trading days in a row.

The brokers admit that the alienation of the private investor has necessitated a reassessment of their future strategy. "It is impossible for the time being even to try to recover the trust of private investors while the public is gripped by the mood of securities company bashing," says one Nomura official.

"But private investors are a very important source of business for us. Once things have quietened down we will have to work seriously to regain their confidence."

The Tokyo market has long benefited from private investors to an extent that neither London nor New York could claim. Private investors have also been a lucrative source of income for the securities companies, which still enjoy fixed commissions.

At the large Japanese brokers, retail business has accounted for between 30 per cent and 40 per cent of overall business while at medium-sized firms the figure rises to 50 per cent or more.

"It is not surprising that UK brokers who rely on institutional investors are not as profitable as

Japanese share traders scramble for a slice of the action

Japanese brokers which have a high proportion of private client business," one Japanese broker said just before the scandals broke out. "Private clients in Japan do whatever you tell them to," he confessed.

With a combined salesforce of several thousand complemented by hundreds of sales staff working in about 500 share shops all over Japan, the big four leading brokers had little difficulty drumming up activity in the country's low interest rate environment of the 1980s.

For much of the glory days of Japanese equities, Nomura Securities alone was responsible for about 30 per cent of trading. Together the big four accounted for about 75 per cent of market activity. Shares that were targeted by a Nomura sales campaign were thought to be virtually assured of a strong rise.

The questionable practices that the scandals have exposed were not unknown even to non-professionals on the market. There had always been talk of brokers churning portfolios - turning them over more than is necessary to generate commission.

Certain highly volatile stocks were known to be targeted by speculative groups. The existence

of political stocks - stocks which are thought to be tools for political fund-raising and which often rose sharply for reasons that were never quite clear to the layman - was taken for granted.

So were the industry's links with gangsters, although it was generally assumed that the more respectable brokers kept their distance.

Individual investors went along with the game as they believed that they also stood to benefit from whatever it was the securities companies were up to.

By bringing these practices into the open, the scandals destroyed the myth that, rigged as it may be, the market was providing everyone with their fair share of the gains.

The Japanese finance ministry's confirmation this week that it suspects Nomura of having manipulated stock in Tokai Corporation to benefit the head of a criminal organisation, is tantamount to an allegation that Nomura sacrificed the interests of private investors for the benefit of one favoured client.

The evidence of favouritism within the industry that has emerged with the scandals is only the latest blow to individuals' confidence in the market.

The effectiveness of mass-marketing is waning also as a result of changing attitudes among the younger Japanese. The peer pressure that drove sales staff to do anything short of robbery to meet commission targets, works less on the new generation, says one broker.

The surge of individual activity fuelled by the mass-marketing tactics of the leading brokers, was an important factor behind the rapid rise of the Tokyo market. That rise, in turn, helped finance the expansion of Japanese corporations.

In trying to bring the market up to the regulatory standards of the west, the authorities are walking a tightrope between the need to regain respectability and concern that drastic action could undermine the market's role as a source of cheap funds for corporate Japan.

LONDON,
NEW YORK,
TOKYO.
IT'S ALL IN A
DAY'S
WORK FOR US.

A fall in interest rates in London; a run on the dollar in New York; a crash in Tokyo. Whatever happens, whenever it happens, wherever it happens we'll be there to tell you what it means for your business.

If you would like to meet us in order to find out what we can offer, contact us at the address below.

Midland Montagu Treasury Sales.

10, LOWER THAMES STREET, LONDON EC3R 6AE. TEL: 071-260 0600.

ATHENS TEL: 301 304 7410 DUBLIN TEL: 4921 9102 HELSINKI TEL: 350 060 1206 ISTANBUL TEL: 901 130913
JERSEY TEL: 0534 606194 MADRID TEL: 34 1 421 0613 MILAN TEL: 392 62041 NEW YORK TEL: 1212 969 7200
OSLO TEL: 472 83 1420 PARIS TEL: 331 45 01 53 77 STOCKHOLM TEL: 468 4798210 TOKYO TEL: 03 3284 1561

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INTERNATIONAL COMPANIES AND FINANCE

Dresdner Bank, BNP in share plan

By Andrew Fisher in Frankfurt and William Dawkins in Paris

DRESDNER BANK, Germany's second largest bank, and Banque Nationale de Paris, France's largest state-owned bank, are on the verge of completing a wide-ranging collaboration agreement which will involve cross-shareholdings of around 10 per cent.

The two banks will shortly present their proposals to the European Commission in Brussels - possibly in a few weeks - and to their shareholders.

BNP said several details remained to be worked out, including the exact size of the mutual shareholdings. Both banks indicated, however, that these were likely to be around 10 per cent.

Like Commerzbank, the third biggest German bank, and Cr dit Lyonnais, also state-owned, Dresdner and

BNP said earlier this year that they hoped soon to take mutual shareholdings.

But Commerzbank has given up the idea of negotiating cross-holdings with Cr dit Lyonnais after differences on future expansion policy and in management and banking styles.

In April, Commerzbank said talks were at an "advanced stage". Since then, it has reassessed its association with Cr dit Lyonnais, which recently opened another German branch in Baden-Baden. Talks have now ended.

The links between Dresdner and BNP were recently extended with the two banks' decision to open a joint venture bank in Prague, possibly with a local Czechoslovakian partner. They already have

combined operations in Hungary, Turkey and Switzerland, and plan to start up shortly in Poland.

The possibility of closer links between German and French banks was given a new impetus in April, when the French government decreed that private concerns could take minority stakes in state-owned groups. The Paris administration's latest plans to extend partial privatisations further improved the political climate for such moves.

Analysts said the reason that the Dresdner/BNP deal was now going ahead, while that between Commerzbank and Cr dit Lyonnais was not, reflected differences in style between the French banks. Commerzbank was uneasy about the aggressive plans of

Cr dit Lyonnais, while Dresdner was obviously satisfied that BNP's ambitions were more restrained. Moreover, Dresdner and BNP have had members on each other's boards since 1989. Both are expected to agree to refrain from expanding in each other's markets.

There could also be joint acquisitions in third markets and, possibly later, some form of amalgamation of the two banks' foreign operations.

The conclusion of the BNP deal will add a further big shareholder to Dresdner's owners, following the news in July that Allianz, the leading German insurance group, had raised its stake in the bank to 23 per cent. Dresdner's market capitalisation is DM13.5bn (\$7.5bn).

IMI suffers 32% fall in profits at half-time

By Charles Leadbeater, Industrial Editor, in London

IMI, the UK metals and engineering group, yesterday reported a 32 per cent drop in pre-tax profits for the first half of 1991, partly as a result of deep price cuts imposed by Rolls-Royce, the aero-engine maker which is one of IMI's most important customers.

The price cuts on contracts for Rolls-Royce, sharply lower orders and higher copper prices combined to drive IMI's largest division, refined and wrought metals, to an 88 per cent fall in trading profits of £1.5m (\$2.52m).

Mr Gary Allen, IMI's chief executive said there were no signs of an upturn in orders within the UK, which accounts for about 40 per cent of the group sales. Mr Allen said he did not expect renewed growth in the UK to help the company's results until the first three months of next year.

Midland Bank to merge corporate operations

By Robert Peston in London

MIDLAND BANK, the UK banking group, is merging all its corporate operations in the first stage of a thorough reorganisation initiated in March when Mr Brian Pearse was appointed chief executive and Sir Peter Walters replaced Sir Kit McMahon as chairman.

Midland makes its loans to big corporate companies through Midland Montagu Corporate Banking, which is part of its Midland Montagu investment banking division.

This business, however, will be incorporated into its mainstream UK banking operations, under Mr Gene Lockhart, who currently has responsibility for lending to small and medium companies.

The merger has not yet been announced and is likely to take place in the next three months. Its aims include:

● Duplicated overheads should be eliminated. Separate legal, administrative and processing departments will be combined. About 200 jobs may go.

● Midland Montagu will acquire greater freedom to market its range of specialised investment banking services. Its executives feel constrained in their ability to market their products to Midland Montagu's loan customers by the need to liaise with colleagues responsible only for lending.

Midland Montagu was established in 1987. Under Mr George London, its chief executive, it will continue to have responsibility for venture capital operations, fund management, a capital markets business and treasury functions. It also owns Samuel Montagu, the merchant bank, which provides advice and complex loan

deals to companies.

The record of clearing banks as owners of merchant banks has been dismal. Their culture tends to be at odds with the need to foster individualism within a merchant bank. Samuel Montagu, however, has been given more freedom than other clearing banks and its record has been good.

The intention of the corporate lending merger, however, is to establish a clearer identity for Samuel Montagu and Midland Montagu.

Mr Pearse is thought to want to retain the investment banking business. Sales of other subsidiaries are inevitable as attempts are made to prevent recurrence of its poor record and create a group structure which will give it a long-term future as an independent bank.

Delhaize rises 19% on back of US success

By Andrew Hill in Brussels

PROFITS at Groupe Delhaize "Le Lion", the Belgian retailer, rose by more than 19 per cent in the first half, on the back of another strong performance from the group's dominant US operations.

The group made \$F2.1bn (\$884m), boosted by the 20 per cent increase in net profits from its 800 Food Lion supermarkets across the US which made \$35.5m on increased sales of \$2.51bn (\$2.47bn) in the first 24 weeks of 1991. The company's Super Discount Markets, near Atlanta, began to break even in the last month of the first half.

Delhaize said that, in the first 32 weeks of 1991, the sales increase at Food Lion slowed slightly to 15.9 per cent because fewer new stores were opened in the first half of the year. During the last 20 weeks of the fiscal year the company intends to add up to 75 stores to the 809 already operating.

In the first half, Food Lion sales accounted for more than two-thirds of the group's total consolidated sales of \$F7.45bn. Domestic supermarket operations did not improve gross operating profit because Belgian wage costs increased. Sales rose 6.95 per cent in the first half, excluding VAT.

French and German aerospace groups propose missile accord

By William Dawkins

THE FRENCH and German aerospace industries are on the point of announcing a co-operation accord in the production of a new generation of short-range anti-aircraft missiles.

Thomson CSF, the French defence electronics group, Aérospatiale and MBB, the German aerospace group, plan to announce details of the agreement tomorrow, according to officials of the French companies.

The agreement comes six months after Thomson shelved

plans to pool its missile-making business with British Aerospace, a move which the French company attributed at the time to the changing requirements of the defence market in the aftermath of the Gulf war.

Speculation has been growing over a reshuffle in European missile co-operation in recent days, since the decision by Aérospatiale, MBB and Matra, the French space, telecommunications and transport group, to shelve indefinitely another joint

programme, launched last year, to produce a faster version of the Roland ground to air missile, to be called the RM-5.

The existing generation of Roland missiles is produced jointly by Aérospatiale and MBB.

The decision to delay the modernisation of the Roland missile has left Aérospatiale and MBB seeking new partners in missile development at a time when Thomson was also reassessing its plans.

Compagnie Bancaire declines 28%

By William Dawkins

COMPAGNIE Bancaire, the French financial services group, yesterday reported a 28 per cent decline in group net profits to FF976m (\$113.42m).

Compagnie Bancaire, the largest subsidiary of Paribas, the leading French investment bank, saw a 42 per cent decline in operating income to FF765m.

The bank, which specialises in leasing, consumer credit,

mortgages and direct mail insurance, attributed the earnings decline to a fall in profits from its British activities and from its property lending and investment division. There was an increase in profits from lending to individuals and from life insurance and savings.

Overall, the demand for new loans in France and abroad fell by 9 per cent in the first half.

Credit outstanding rose by 12 per cent over the past year to FF229bn by the end of June.

The latest results bring Compagnie Bancaire's group net profits over the 12 months to the end of June to FF1.22bn, a 33 per cent decline on the previous year, while operating profits have fallen 41 per cent to FF1bn over the same period.

Ascom first-half sales advance 2.7%

By William Duffell in Geneva

ASCOM, the Swiss telecommunications and automation group, yesterday reported a 2.7 per cent advance to SF1.39bn (\$909m) in first-half sales.

Income orders at SF1.4bn declined by 2.4 per cent compared with the first six months of 1990. Newly consolidated subsidiaries contributed some 6 per cent to the increase in sales volume.

Despite the strained economic situation, Ascom said, the operating profit for 1991 as

a whole should be slightly higher than the SF1.32bn in earnings before interest and tax recorded last year. First-half profits were not disclosed.

Last year, the group generated a cash flow of SF249m on consolidated sales of just under SF3bn and recorded a net profit of SF55m.

In June, the management forecast slight improvements in both turnover and earnings this year. Yesterday, it said it expected to maintain turnover at around the 1990 level, while

the restructuring introduced two years ago should ensure a higher operating profit.

Ascom has been trying hard to expand outside Switzerland, and the first-half figures do not include this year's new acquisitions which are expected to expand group turnover by 10 per cent over a full year.

In a joint venture with Mercedes Information Technologies of South Africa, the Swiss group paid \$207m for the Thesplex networking arm of Unilex, the US computer company.

Italcable in \$12.4m Chilean purchase

ITALCABLE, the Italian state-controlled telephone company, has acquired a 35 per cent stake in VTR Telecomunicaciones for \$12.4m, becoming the second-largest shareholder of Chile's largest private telecommunications group, AP-DJ reports from Milan.

A spokesman for Italcable, which handles intercontinental telecommunications within the state-controlled sector, said it took up 16,287,386 VTR shares under a recent capital increase by the Chilean group.

Italcable is also negotiating to acquire stakes in leading

telecommunications groups in Brazil and Venezuela. The spokesman declined to reveal the names of the groups.

"We are extremely interested in strengthening our ties in Latin America and South America," he said.

VTR, which operates mainly in national and international telecommunication, recently won a \$30m contract from the Chilean government to develop the country's international telephone system.

The Italian company's technical, commercial and management skills will be a determining factor in setting up the telephone system.

Italcable is part of telecommunications group STET Societa Finanziaria Telefonica, which is controlled by the state holding Istituto per la Ricostruzione Industriale (IRI).

VTR Telecomunicaciones is 45.5 per cent controlled by Chilean holding company Luk-Sic. Chicago Continental Bank of the US controls 13 per cent and Siemens, the German electronics and electrical group, holds the remaining 6.5 per cent.

Prices for electricity determined by the period of the day and the weather conditions.

Period	Price (p/kWh)
0000-0100	10.11
0100-0200	10.10
0200-0300	10.10
0300-0400	10.10
0400-0500	10.10
0500-0600	10.10
0600-0700	10.10
0700-0800	10.10
0800-0900	10.10
0900-1000	10.10
1000-1100	10.10
1100-1200	10.10
1200-1300	10.10
1300-1400	10.10
1400-1500	10.10
1500-1600	10.10
1600-1700	10.10
1700-1800	10.10
1800-1900	10.10
1900-2000	10.10
2000-2100	10.10
2100-2200	10.10
2200-2300	10.10
2300-2400	10.10

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Application has been made for the Ordinary shares of Fairhaven International Limited to be admitted to the Official List of the London Stock Exchange.

FAIRHAVEN INTERNATIONAL LIMITED
(Incorporated in Bermuda under the Companies (Incorporation) Act 1970 with Registered No. EC08897)

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Listing particulars relating to Fairhaven International Limited are available from The Companies Information Fiche Service maintained by the London Stock Exchange. Copies of the listing particulars may be obtained during normal business hours up to and including 6th September 1991 from the Company Announcements Office, the London Stock Exchange, 46-50 Finsbury Square, London EC2A 1DD (by collection only) and may also be obtained during normal business hours on any weekday (Saturdays and public holidays excepted) until 20th September 1991 from:

Conyers, Dill & Pearman
Clarendon House
Church Street
Hamilton
Bermuda

UBS Phillips & Drew Securities Limited
100 Liverpool Street
London EC2M 2RH

4th September 1991

LEGAL NOTICES

NOTICE OF A MEETING OF CREDITORS OF THE COMPANY UNDER THE COMPANIES ACT 1985

IN PURSUANCE OF THE COMPANIES ACT 1985, a meeting of the creditors of the above-named company will be held at the offices of the Liquidator, 21 Old Broad Street, London, EC2M 1JH, on 10th September 1991 at 11.00 am for the purpose of considering and voting on the proposed arrangement for the company.

It is a condition of the meeting that all creditors of the company must attend the meeting and vote on the proposed arrangement.

For the purpose of the meeting, the creditors of the company are divided into two classes, A and B, as follows:

Class A: Creditors of the company who are entitled to vote on the proposed arrangement.

Class B: Creditors of the company who are not entitled to vote on the proposed arrangement.

The meeting will be held in accordance with the provisions of the Companies Act 1985.

Dated this 4th August 1991

Peter S. Dunn, PCA, Administrative Receiver

IN THE MATTER OF SYSTERMATION LIMITED AND IN THE MATTER OF THE COMPANIES ACT 1985

In accordance with Rule 4.104 of the Insolvency Rules 1986, notice is hereby given that I, Peter S. Dunn, PCA, a Licensed Insolvency Practitioner, have been appointed as the Administrative Receiver of the assets of Systermination Limited, a company incorporated in England, under the Companies Act 1985.

The company's registered office is at 40 Cannon Street, London EC4A 3DF.

Dated this 23rd August 1991

Peter S. Dunn, PCA, Administrative Receiver

40 Cannon Street, London EC4A 3DF

Notice to Certificateholders

U.S.\$900,000,000

Floating Rate Subordinated Loan

Participation Certificates due 2000

issued by Salomon Brothers AG for the purpose of funding and maintaining a subordinated loan to

The Mitsubishi Bank, Limited
(a company incorporated in Japan)

For the purpose of the Loan Agreement (the "Loan Agreement") dated 21st September, 1990 between The Mitsubishi Bank, Limited (the "Borrower") and Salomon Brothers AG (the "Bank") recording the terms of the ten year subordinated loan of U.S.\$900,000,000 made by the Bank to the Borrower and funded by the Certificates, the Borrower has been acting through its London Branch at 6 Broadgate, London EC2M 25X (the "London Branch"). By a First Supplemental Loan Agreement and Trust Deed dated 19th August, 1991 (the "Supplemental Loan Agreement"), the Bank, the Borrower and The Law Debenture Trust Corporation p.l.c. (the "Trustee") agreed that, subject to satisfaction of certain conditions, the Borrower would act through its Hong Kong Branch presently situated at Tower 1, Admiralty Centre, 14th Floor, 18 Harcourt Road, Central, Hong Kong instead of its London Branch for all purposes under the Loan Agreement and all references to the Loan Agreement in the Trust Deed dated 28th September, 1990 between the Bank and the Trustee constituting the Certificates will be references to the Loan Agreement as amended by the Supplemental Loan Agreement. All the aforesaid conditions having been satisfied, the substitution took effect on 21st August, 1991.

This Notice is given pursuant to Condition 14 of the Certificates.

Salomon Brothers AG
Wendenstrasse 10
D-8000 Frankfurt am Main 1
Federal Republic of Germany

4th September, 1991

FLETCHER CHALLENGE

Benefiting From Diversity

OPERATING PROFITS BY CORE BUSINESS ACTIVITIES

Business Activity	1990 (NZ\$ Million)	1991 (NZ\$ Million)
Pulp & Paper	195	77
Building Industry	211	118
Primary	161	97
Energy	157	368

"The \$555 million earnings reported for the 1991 year are below desired levels, but in line with expectations in the difficult conditions that applied during the year. The result bears out the Group's strategy of focused diversity - building a portfolio of selected businesses to provide cash flow and earnings through economic cycles."

Hugh Fletcher, Chief Executive Officer.

HIGHLIGHTS

- * The Group strengthened its balance sheet and reduced its debt to total capitalisation ratio from 55.6% to 52.5%, which was ahead of its target for the year. It is intended to improve this ratio still further in the current year.
- * Record earnings from Energy cushioned the declines from other operating sectors.
- * Continued investment in Energy and Forestry has increased the Group's long term involvement in resource based industries.

To order a copy of the annual report, or for further information contact G.A. Witcher, c/o Georgeson International, Bell Court House, 11 Blomfield Street, London EC2M 7TAY. Telephone (071) 588-6050. Facsimile (071) 638-7820.

CREDIT LOCAL DE FRANCE - CAEL S.A.

U.S.\$2,000,000,000

Euro-Medium Term

Notes

SERIES NO. 12

FF725,000,000 Inverse

floating rate notes 1996

FRANCHE NO. 1

Notice is hereby given that for the interest period 2 September, 1991 to 2 December, 1991 the notes will bear interest at 5 1/4% per annum.

Interest payable on 2 December, 1991 will amount to FF7,346.35 per FF500,000 denomination.

Agent: Morgan Guaranty Trust Company

JPMorgan

INTERNATIONAL COMPANIES AND FINANCE

Restructuring begins at Daiichi property group

By Robert Thomson in Tokyo

FIVE senior officials from Daiichi Real Estate have begun restructuring the financially-troubled Daiichi Corporation, the core company of Japan's Daiichi Real Estate group, which has been hit by a sharp downturn in property prices, higher interest rates and a weak stock market.

The five, including a director of the Daiichi Trust board, are expected to recommend the sale of the company's property and securities holdings in an attempt to reduce group debts reckoned by Daiichi to total about ¥1,200bn (\$8.6bn).

The appointment of Mitsui Trust staff follows the collapse last week of Maruko, a property company which filed for court protection with outstanding debts of ¥277.7bn after a

sharp downturn in the market for one-room apartments, a popular speculative investment during the late 1980s.

While Maruko's bankers rejected a restructuring plan proposed by the company, Mitsui Trust said the bank had decided to back Daiichi Corporation because the collapse of the company could be disastrous for the real estate sector.

The transfer of staff from a main bank indicates to other lenders that a troubled company will not be allowed to fail, though Japanese banks have been forced to become more selective about the companies they support.

CRA blames soft prices for fall

By Mark Westfield in Sydney

AUSTRALIAN mining group CRA has blamed soft aluminium, lead and zinc prices and production problems at its coal mines for a 49 per cent drop in net profit for the half-year to June 30.

Earnings after tax for the six months fell to A\$207.4m (US\$107.2m) from A\$398.2m (US\$207.2m) but the 1990 first-half figure was inflated by a A\$60.8m abnormal contribution from the sale of part of the group's holding of convertible notes in Germany's Klockner-Werke steel group.

CRA has joined a string of Australian groups hurt by the

recession to cut its dividend, in this case to 10 cents, fully franked, compared with 24 cents for the 1990 first half.

The group chief executive, Mr John Ralph, said CRA expected "marginally higher" earnings for the second half because of continuing strong results from its iron ore division and improvements in the coal operations.

CRA's sales for the first half of A\$2.28bn were 4 per cent higher than the corresponding period last year, due mainly to improved volumes and prices from its Hamersley iron ore mine in western Australia.

are assessed before a decision is made on a restructuring. Daiichi said the company had asked for direct involvement by the bank because of the "worsening conditions in the property market".

Daiichi Real Estate has also been hit by the problems in the apartment sector and by the general sluggishness of the Japanese property market.

New apartment construction in July fell to its lowest level in almost two years, and apartment prices have fallen sharply in some areas.

The continuing weakness in the market will make difficult the sale of property holdings, which include Japanese office, apartment and retail buildings, as well as two buildings in New York.

Fuji Photo launches digital still camera

By Steven Butler in Tokyo

FUJI PHOTO Film, the Japanese photography company, yesterday launched a digital electronic still camera whose flexibility could challenge the traditional photography market.

The camera includes what Fuji says is the world's first image compressing integrated circuit in commercial use. It enables up to 21 digital images to be stored on an eight-megabit memory card, the size of a business card, which is inserted into the camera.

The card can be used to transfer images to personal computer workstations, for display on television screens, for print-out, or transmission through high-quality ISDN (integrated system digital network) telephone circuits.

The use of image compression technology represents an important advance because of the difficulty of processing the huge amount of data required to record a high-quality visual image. The camera records 400,000 pixels per image, which is up to a third higher than previous such devices. The digital still images do not deteriorate as analogue images do when transferred to computers for processing.

Although the resolution cannot compare with traditional photography, it is of sufficiently high quality for many commercial applications, and is attractive because the image processing is much more flexible. Fuji says the device is suitable for desk-top publishing, design production, image processing simulation, and analysis in laboratories.

The camera costs ¥680,000 (\$4,974). Five to 10 years of further development is expected before the price will challenge the mainstream consumer photography market.

Gearing up to face a downturn

Emiko Terazono on problems in the Japanese machine tools industry

AFTER three years of strong growth, Japanese machine tool-makers are finally facing a slowdown. With machine tool orders down for the seventh month in succession, companies are bracing themselves for lower sales and smaller profits.

Most machine tool companies are projecting a downturn in earnings for the current year to March 1992. Yamazaki Mazak, the largest Japanese machine tool-maker, says that a decline in orders is expected to depress earnings by 10 to 15 per cent compared with last year.

Amada, a leading metal-working machine-maker, says it will probably have to revise down its forecasts of a 9.9 per cent fall in pre-tax profits of ¥28.7bn (\$208.5m) on a 5 per cent decline in sales of ¥12bn for the current year.

For the past three years, the industry has seen orders soar by double-digit figures. Last year, helped by strong demand from the auto and electronics industries and a boom in capital expenditure, machine tool orders rose 11 per cent to a record ¥1,410bn.

According to the Japan Machine Tool Builders Association, machine tool orders started to weaken in October last year. In June, the seventh consecutive month of decline, orders fell 19 per cent. Analysts at Salomon Brothers have revised down their machine tools orders estimate for the 1991 calendar year from ¥1,320bn to ¥1,200bn. Amada says that, while capital spending plans were being implemented, the company had started to cut down on travel expenses and advertising.

The machine tool industry has shown a pattern of cycles; the previous troughs have been in 1982, after the second oil shock, and in 1987, when the Japanese economy was affected by the appreciation of the yen. Given that, the current downturn does not come as a surprise. The question is, whether the trough will last longer than those of the previous cycles.

Higher interest rates have curbed companies' appetite for capital investment, and consumer demand for products such as cars has declined sharply.

Registrations fell 8.3 per cent year-on-year in June, from double-digit increases last year, and VTR shipments for July fell 19.8 per cent, the fourth consecutive decline. Nissan Motor, for example, has recently announced plans to reduce plant and equipment investment for a while.

Meanwhile, the fall in the stock market has also made

fund-raising difficult as equity financing, which allowed companies to finance at low cost at the height of the bull market, has become expensive. Banks, having to clear capital asset ratio requirements, are cutting lending growth.

Mr Michael Remington, analyst at brokers SG Warburg, says the outlook has become more bearish as the expected recovery of the stock market has not materialised.

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But the majority of machine tool-makers depend heavily on domestic sales as overseas business for the industry has declined to 28 per cent of total sales, down from 41 per cent five years ago.

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Notices were sent to Warrant holders on 26th August 1991.
This advertisement therefore appears as a matter of record only.

GT CHILE GROWTH FUND LIMITED

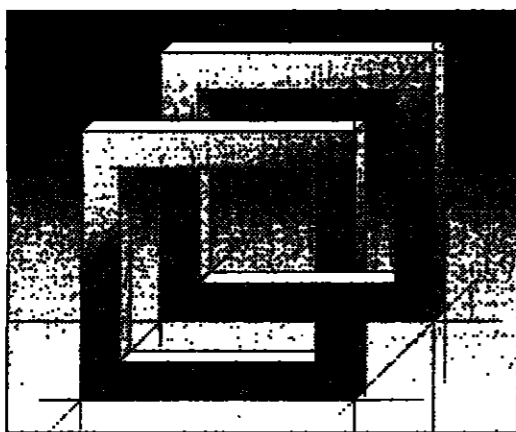
SUBSCRIPTION RIGHTS

- On 1st November 1991, Warrants become exercisable to subscribe for the Ordinary Shares of the Company.
- The subscription price is US\$10.00 per Share. At 1st September 1991 the middle market price, according to the Stock Exchange Daily Official List, was US\$15.50.
- Warrant holders must inform the Custodians of their Warrant Certificates as to their intentions and instruct them to send the completed certificates to the Registrar of the Company at the address below by 3rd October 1991 at the latest.
- Subscription monies are due on application and should be paid as follows:
Bank of Bermuda (New York) Limited,
350 Park Avenue, New York, New York 10022, USA,
via CHIPS UID 005584 or FEDWIRE ABA 0260099 46
I/F/O The Bank of Bermuda Limited,
Hamilton, HMU1, Bermuda A/C No. 800008
for further credit to GT Chile Growth Fund
Account No. 100213504
Attention: Alan Bernado
- In the event of the loss of a Warrant, written application should be made as soon as possible to the Registrar of the Company for a letter of indemnity for completion and return by the Warrant holder.
- Ordinary Shares issued on the exercise of subscription rights will be allotted not later than 15th November 1991, effective from 1st November 1991. Warrants for any balance of subscription rights will be despatched by 29th November 1991.
- The Company will apply to The Council of the Stock Exchange for new shares to be admitted to the Stock Exchange Daily Official List not later than 15th November 1991.
- New shares will rank pari passu with existing shares in all respects after 1st November 1991.
- Similar subscription rights will arise normally on the first business days in May 1992 and October 1992.
- The exercise of warrants will constitute an acquisition of securities for the purposes of capital gains tax. Shareholders who are in doubt as to their taxation position should consult their stockbroker, bank manager, solicitor, accountant or other professional adviser authorised pursuant to the Financial Services Act 1986.

4th September 1991

David T. Smith, Secretary, The Bank of Bermuda Limited,
Bank of Bermuda Building, 6 Front Street, Hamilton, HMU1, Bermuda.

Interim Report as of June 30, 1991



The full Interim Report on the development of our bank's business from January 1 to June 30, 1991 is available.
If you wish to receive the report, please contact us (Frankfurter Hypothekenbank AG, Postfach 10 08 48, D-6000 Frankfurt a.M. 1), stating the number of copies required.

Frankfurt am Main, August 1991
The Board of Managing Directors

Frankfurter Hypothekenbank

NOTICE OF EARLY REDEMPTION

HALIFAX BUILDING SOCIETY

£150,000,000
Floating Rate Loan Notes 1992

NOTICE IS HEREBY GIVEN that, pursuant to Condition 5(b) of its £150,000,000 Floating Rate Loan Notes 1992 (the "Notes"), Halifax Building Society will redeem all of the Notes at their principal amount on October 10, 1991.

The Notes may be surrendered for redemption at the specified office of any of the Paying Agents, which are as follows:

Morgan Guaranty Trust Company
of New York
60 Victoria Embankment
London EC4Y 0JP
Kreditbank S.A. Luxembourg
43 Boulevard Royal
L-2955 Luxembourg

Morgan Guaranty Trust Company
of New York
Avenue des Arts 35
B-1040 Brussels
Swiss Bank Corporation
Aeschenvorstadt 1
CH-4001 Basel

Payment in respect of the Notes will be made against presentation and surrender, on or after October 10, 1991, of Notes together with all unexpired Coupons appertaining thereto. Such payment will be made in sterling at the specified office of the Paying Agent in London or, at the option of the holder, at any specified office of any Paying Agent by a sterling cheque drawn on, or by transfer to a sterling account maintained by the payee with, a bank in London.

Interest shall cease to accrue on the Notes from October 10, 1991 and unexpired Coupons relating to the Notes shall become void on such date.

By: Morgan Guaranty Trust Company
OF NEW YORK, as Principal Paying Agent

Dated: September 4, 1991

FUTURES AND FOREIGN EXCHANGE
24 HOUR COVERAGE
MEMBER SFA

FGP (BERMUDA) LTD
US\$15,000,000
FLOATING RATE NOTES DUE 1990
Notice is hereby given that for the interest period from 3 September 1991 to 2 March 1992 the notes will carry an interest rate of 6.075% per annum.

ECU
IF YOU HAVE A VIEW, TAKE A POSITION
CONTACT: ADRIAN FRANCES
ECU FUTURES PLC, 29 CHESMAN PLACE, LONDON
SW1X 8RL. TEL: 071 345-1010 FAX: 071 235-6462/6599

CHEMICAL BANK
Agent Bank

Generali and US insurer agree to co-operate

By Nikki Tait in New York
and Haig Simonian in Milan

CONTINENTAL Corporation, a US property-casualty insurance group, said yesterday it had reached an agreement in principle with Generali, the large but secretive Italian insurer, on future co-operation between the two companies.

Continental will service and underwrite all North American exposures on Generali's multi-national accounts. The two groups will also "provide mutual access to their worldwide facilities in support of multi-national activities" and "pursue joint marketing and production of multi-national risks".

Continental added that the companies would "continue to explore other areas of mutual interest throughout the world."

There has been much speculation that Generali, based in Trieste, might be lining up for acquisitions, possibly in the US where it has only modest representation, unlike many of its European competitors. The speculation intensified following the announcement of a record \$1.750bn (\$1.2bn) rights issue in May.

Mr Michael Marchesani, president of Continental International, stressed the deal represented a "straightforward commercial insurance opportunity", with no other "financial consequences".

He suggested that Continental stood to gain credibility through the link-up, and would benefit from Generali's access in Latin America and Europe.

In 1990, Continental's premiums totalled \$4.59bn, while after-tax profits slipped to \$141.1m, against \$153.1m the previous year.

Generali has been wary of giving any details of how the funds from its rights issue, due to be launched on the Milan bourse shortly, will be used.

Mr Engenio Coppola di Canzano, Generali's chairman, said the funds would be used for expansion, particularly in life insurance. However, the company has also hinted at acquisitions.

Continental Airlines and Perot in talks

By Nikki Tait

CONTINENTAL Airlines, the US carrier which has operated under bankruptcy court protection since last December, yesterday confirmed it had held "very preliminary" talks with an investor group headed by Mr H. Ross Perot.

Mr Perot runs the privately-owned Perot Group, which developed the Alliance Airport, a cargo and industrial facility in Texas.

A spokesman for Continental sought to downplay the significance of the talks, describing them as no more than "tire-kicking". He also suggested that talks with potential suitors or investors had not been confined to the Perot group, and that "various discussions" were continuing.

Much speculation has surrounded the future of Continental, formerly run by Mr Frank Lorenzo. The carrier, the fifth largest in the US, is heavily indebted - as with nearly all airlines - made large operating losses last year as the Gulf conflict unfolded.

In 1990, it booked a \$2.3bn after-tax loss, while a large part of this sum reflected write-offs related to its sister carrier, Eastern Airlines, the bottom-line figure did contain a \$273.8m operating deficit.

Aside from the Perot initiative, there has been talk in the past that sizeable carriers, such as Northwest Airlines and USAir, might be interested in a deal.

INTERNATIONAL COMPANIES AND FINANCE

Christiania criticised over reporting of credit losses

By Karen Fossli in Oslo

THE OSLO Stock Exchange has strongly criticised the former management of Christiania Bank, Norway's second biggest bank, for failing to accurately report credit losses.

The bourse's investigation started about three weeks ago, shortly after Christiania announced first-half net losses of Nkr1.637bn (\$236m) and the resignation of Mr Sverre Walter Rostoft, the bank's former president.

Mr Kjell Froensdal, a bourse official who led the probe, said the former management of the bank had ignored advice from internal accounts auditors on reporting of credit losses.

Mr Froensdal said the bank's credit losses may not have

been reported at the appropriate time; this would have given an inaccurate picture of its financial status in the 18 months to June 1991.

"While the bank's previous leaders ignored advice... this was a demonstration of bad judgment, but not of a calibre which suggests a deliberate infraction of the share law," Mr Froensdal said.

Mr Froensdal said this policy prejudiced the interests of shareholders who have a right to know the bank's true financial position.

Mr Borger Lenth, Christiania's new president, said he agreed with the bourse's findings, but said that it was the bank's new board chairman

who earlier suggested possible financial reporting irregularities.

"The earlier management was not realistic in the estimation of losses and this was despite the warnings and advice of those in charge of accounts," Mr Lenth said.

The bourse said that Christiania's accounts reporting would be monitored, but dismissed further investigations into possible violation by the bank of reporting of stock sensitive information, which may have led to insider trading.

"The case is now closed... and the bank can get on with its task of securing the right footsteps toward the future," Mr Lenth added.

Norway to review proposed merger of food companies

A MERGER between Nora Industrier and Orkla Borgegaard, two Norwegian food and drinks companies, is to be delayed at least three weeks until the government has completed an anti-monopoly investigation, writes Karen Fossli.

The merger, which was announced in mid-June, would create Norway's third biggest company with an annual turnover of Nkr15.5bn (\$2.27bn).

The investigation will be undertaken by the government's Price Directorate, which advises the Price Council. The council can block mergers that it believes would hinder competition.

However, it is widely expected that the Price Directorate will allow the merger to go forward, with the condition that the two companies reorganise

some segments of their businesses.

The new company is to concentrate on consumer goods, with the main emphasis on food and drinks, but it will also focus on activities in chemicals and finance.

The merger has wide political backing mainly because of concern that foreign companies might acquire control of the stock of the two individual companies after 1993, when a free trade agreement is implemented between Efta and the European Community. Norway is a member of Efta.

The merger has recently been overshadowed by an investigation by the Oslo Stock Exchange into alleged insider trading by three Nora board executives ahead of the formal June merger announcement.

America West hearing delayed

A US bankruptcy court yesterday delayed until today a hearing on a proposed \$155m financing package for America West, the ailing Phoenix-based airline, writes Nikki Tait.

The package includes \$35m of debtor-in-possession financing - interim loans provided to companies in bankruptcy, with the lender ranking at the forefront of the creditors' queue - from Britain's GFA Group and another \$20m from Northwest Airlines.

Siemens Corp, the US unit of Siemens of West Germany, said its parent company had sold its stake in Advanced Micro Devices for about \$100m, or \$12.25 a share, Reuter reports.

The group said last week it had sold its 9.9 per cent stake through Goldman Sachs, but it did not give a price.

Statoil agrees to acquire 35% stake in Mabanaft

STATOIL, the Norwegian state oil company, said that it had signed a letter of intent to acquire a 35 per cent stake in Mabanaft, a subsidiary of Germany's Marquard & Bahls, writes Karen Fossli. Mabanaft has annual sales of 250,000 tonnes of crude oil products, mostly gasoline and gas oil, and in 1990 achieved a turnover of \$100m.

The deal is expected to be finalised in October. Statoil did not reveal the purchase price.

Statoil, the world's largest net exporter of light crude oil outside OPEC, is evaluating other possible acquisitions and co-operative deals to strengthen its foothold in the

British export market for crude oil products.

Statoil said the acquisition had grown out of previous co-operation between the two companies. In the past couple of years, Statoil has supplied Mabanaft with 150,000 tonnes of gasoline and gas oil.

Statoil Shipping, a listed company with interests in shipping and oil drilling rigs, has given Reading & Bates, a US-based drilling rig owner, an option to buy its 42.6 per cent stake in Arcade Drilling for Nkr558.9m (\$85.6m).

Last month, Arcade Shipping rejected an offer by Reading & Bates to acquire Arcade Drilling.

THE GREECE FUND LIMITED

International Depository Receipts
issued by
Morgan Guaranty Trust Company of New York

Preliminary Results

At a meeting of the board held on 29 August 1991, the Directors of the Greece Fund Limited decided not to recommend the payment of a dividend for the year ended 30 June 1991 on the shares of the Company.

The preliminary results are as follows:

	1991	1990
Income from listed investments:	\$900	\$900
Dividends	2,043	881
Interest	21	21
	2,076	904
Deposits Interest	490	110
Total Revenue	2,476	1,014
Administrative expenses	1,485	1,163
Interest payable	-	227
	1,991	1,390
Revenue/(Deficit) before taxation	991	(376)
Taxation	(362)	(370)
Revenue/(Deficit) after taxation	124	(746)
Earnings/(Deficit) per share	6.18 cents	(37.16) cents
Dividend for the year per share	NIL	NIL
Net Asset Value per \$0.01 share	\$21.62	\$16.22

During its third financial year, the Net Asset Value of the Greece Fund has declined by 47.1% in US\$ terms. This compares with a fall in the Athens Stock Exchange Index of 49.1% in US\$ terms and a 24% fall in Greek Drachmas terms. Over the period, the Greek Drachma lost some 22% of its value against the US\$ and some 10% against the ECU.

Annual Meeting: to be announced.

The Annual Report and Accounts will be sent by mail to holders of registered shares at their registered addresses. Copies of the Annual Report will be made available to holders of depository receipts and to the public at the Company's place of business in England: 33 Gutter Lane, London, EC2V 8AS.

Depository: Morgan Guaranty Trust Company of New York, 25, Avenue des Arts, 1040 Brussels.

J.P. Morgan

NOTICE TO THE HOLDERS OF WARRANTS OF SHIMADZU CORPORATION

Issued in conjunction with

U.S. \$100,000,000

2% per cent. Guaranteed Notes due 1991

("Warrants 1991")

and

U.S. \$120,000,000

4% per cent. Notes due 1993

("Warrants 1993")

Pursuant to Clauses 3 and 4 of the Instruments dated 25th September, 1986 and 23rd February, 1988, respectively, concerning the above issues, notice is hereby given as follows:

Shimadzu Corporation has made an issue of U.S. \$150,000,000 4% per cent. Notes due 1993 with Warrants on 29th August, 1991 (London time) at the initial subscription price of Yen 693 per Share which is less than the current market price per Share of Yen 776.30 calculated as provided in the Instruments.

As a result of such issue and pursuant to Clause 3 of the respective Instruments, the Subscription Price of the Warrants 1991 has been adjusted from Yen 1,087 to Yen 1,075.30 and the Subscription Price of the Warrants 1993 has been adjusted from Yen 1,118 to Yen 1,105.90, both effective as of 30th August, 1991 (Japan time).

SHIMADZU CORPORATION
By: The Mitsubishi Bank, Limited
London Branch,
as the Principal Paying Agent

4th September, 1991

Computer Associates to buy Pansophic

By Louise Kehoe in San Francisco

COMPUTER Associates has agreed to buy Pansophic Systems for about \$232m, in its latest move to achieve dominance in the computer software market.

Pansophic's shares rose sharply on news of the agreement, from a Friday close of \$11 1/4 to trade at \$15 1/4 yesterday. Computer Associates has agreed to pay \$16.15 per share for all of Pansophic's 17.5m shares.

Pansophic is a leader in the field of mainframe information retrieval software. Based in Lisle, Illinois, it had 1990 revenues of \$322m and net income of \$20.6m. In the first quarter, to July 31, the company reported losses of \$9.9m on revenues of \$44m, after an \$8.3m restructuring charge. It closed 13 sales offices and laid off about 300 employees.

Computer Associates, with 1990 revenues of \$1.3bn is second only to Microsoft in the computer software industry. While Microsoft focuses almost exclusively on the personal computer sector, Computer Associates offers software for a wide range of computer types, from mainframes to personal computers.

Over the past five years the company has acquired several US software companies. Last month, it launched a cash tender offer to purchase On-Line Software International, for nearly \$90m.

Computer Associates and Pansophic said they had reached an agreement in principle for Computer Associates to acquire all of Pansophic's outstanding shares.

ASHKELON MUNICIPALITY
THE ASHKELON DEVELOPMENT COMPANY LTD.

PUBLIC INTERNATIONAL TENDER FOR ASHKELON MARINA CONSTRUCTION ISRAEL

The Ashkelon Municipality and the Ashkelon Development Company Ltd. announce the receiving of offers for construction of a Marina at the Ashkelon beach.

The entrepreneur will construct the Ashkelon Marina, which is designated for 600 vessels, according to updated plans, and in return will receive land adjacent to and in vicinity of the Marina, designated for the construction of recreation apartments, commerce and hotelkeeping.

More details, and tender documents can be received at the Ashkelon Development Company Ltd., 38 Herzl St., Ashkelon 78801, Tel. 051-750081, 051-750258 from 2.09.91, in exchange for 2420\$ or 5,900 L.S. (including V.A.T.), which will not be returned.

The last date for tender offers is the 17.10.91 at 5.00 p.m. Meeting and excursion with procurers of tender documents, will be on the 16.09.91 at 12.00 at the company's secretariat.

BENNY VAKNIN
Ashkelon Mayor

Notice to the Holders of Warrants to subscribe for shares of common stock of FURUKAWA CO., LTD. (the "Company")

Issued in conjunction with an issue by the Company of

U.S. \$100,000,000

5% per cent. Guaranteed Notes 1992

with Warrants (the "1992 Warrants")

and

U.S. \$250,000,000

4 1/2 per cent. Guaranteed Bonds 1993

with Warrants (the "1993 Warrants")

NOTICE IS HEREBY GIVEN THAT the Board of Directors of the Company passed resolutions on 8th and 15th August, 1991 that the Company shall issue on 29th August, 1991 U.S. \$100,000,000 4 1/2 per cent. Guaranteed Bonds 1995 with Warrants (the "Bonds with Warrants") for the consideration less than the current market price per share of common stock of the Company.

As a result of such new issuance of the Bonds with Warrants, the subscription prices at which shares are issuable upon exercise of the 1992 Warrants and the 1993 Warrants will be adjusted as follows:

A) the subscription price of the 1992 Warrants will be adjusted from Yen 646.00 to Yen 643.20.

B) the subscription price of the 1993 Warrants will be adjusted from Yen 1,056.00 to Yen 1,051.50.

Such adjustment of the subscription prices will become effective on 30th August, 1991 (Japan Time).

FURUKAWA CO., LTD.

Dated: 4th September, 1991

Westpac Banking Corporation

(Incorporated with limited liability in the State of New South Wales, Australia)

U.S. \$240,000,000
Perpetual Capital Floating Rate Notes

In accordance with the terms and conditions of the Notes, notice is hereby given that for the Interest Period from 4th September, 1991 to 4th March, 1992 the Notes will carry an Interest Rate of 6.425 per cent. per annum. The Interest Amount payable on the Interest Payment Date which will be 4th March, 1992 is U.S. \$32,481.94 for each Note of U.S. \$1,000,000.

Westpac Banking Corporation
Agent Bank

Westpac House,
75 King William Street,
London EC4N 7HA

RANK XEROX

Documents speak louder than words.

You're looking at an important document right now. From your daily newspaper, to reports, presentations, memos or the data on your computer screens, documents are the focus of everyone's business day.

Documents are where people share ideas and clarify thinking. Documents help you spread the word. Documents initiate projects. And cancel them. Documents are where people make commitments. And get released from them. In fact, 95% of all business information is contained in documents.

And companies know that whatever business they are in, they are really in the business of turning information into knowledge. That's why connecting people to an information processing system is often not as productive as connecting people to each other through document processing.

At Rank Xerox, years of experience have taught us that when you improve the way you process documents, you can increase the productivity of "knowledge workers," and actually improve products and services, not to

mention morale, immeasurably. We know because we've done it for our customers, as well as for ourselves. And we can do it for you.

It means examining all the ways people communicate with each other in your company, and analyzing how effectively they use their workstations, copiers, printers and fax machines to put together documents that make more effective communication possible.

Because producing more effective documents can make your company more productive. And that's something that speaks loudly to everyone.

RANK XEROX
The Document Company

XEROX & RANK XEROX ARE REGISTERED TRADE MARKS OF RANK XEROX LIMITED

LONDON – 10 October, 1991

Chairman: Mr Paul Boyle
Chairman
Financial Reporting Action Group

Mr Richard Fleck
Partner
Herbert Smith

ISRAEL WILL float up to 25 per cent of the state-owned Israel Chemicals on the Tel Aviv stock exchange by the end of 1991 in the first step of a three-stage privatisation plan. Reuter reports from Tel Aviv. After the initial public offering, the authority plans to sell a 15 per cent of ICL to a "strategic partner".

New issue volume picks up after summer lull

Ecu200m five-year deal, lead

managed by Credit Suisse First Boston. The deal will be priced later this week to yield between 12½ per cent and 12¾ per cent — the highest yielding

Hungary does not have the largest external debt burden in Eastern Europe.

At \$20bn, its foreign debt is only half that of Poland. But the country has a population just one quarter the size of

just one quarter the size of Poland, and its per capita debt burden is the highest of all the countries in the former Soviet bloc.

Add to this the state of near civil war in neighbouring Yugoslavia and political turmoil in the Soviet Union: there are many reasons to be cautious.

Yet Hungary has never defaulted on its external debt and remain considered one of the best improving credits in the region.

The deal drew comparisons with the Ecu400m seven year deal launched by Greece, also through CSFB, in May. Yesterday Greece was trading on a yield of 10.4 per cent with the Hungary paper offering a yield

to the Philippines. This in

turn, will reduce the danger

that the money will run out to fund collateral needed to back the concessional bonds taken by those lenders not lending new money.

Many traditional bank lenders will in any case be unwilling to make new loans. However, there are some holders of Philippine debt - including some more innovative international investors - who believe that the "new money" option will provide the best return to investors.

The agreement with representatives of the country's creditor banks, led by Manufacturers Hanover of the US, could, according to central

could, according to central bank calculations, yield more than \$2.3bn in fresh funds and debt relief over the next six years and reduce the nation's \$29bn foreign debt by about \$1.5bn. Applicable commercial debt totals \$5.3bn of medium to long-term loans.

	Rises	Falls
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OPTION PRICES - OCTOBER 1978																						
Option	CALLS					PUTS					Option	CALLS					PUTS					
	Oct	Jan	Apr	Jul	Nov	Oct	Jan	Apr	Jul	Nov		Oct	Jan	Apr	Jul	Nov	Oct	Jan	Apr	Jul	Nov	
Am Elys (AEL)	600	325	20	30	20	700	300	20	30	20	Unwarranted (700)	725	360	20	30	20	Unwarranted (700)	445	360	20	30	20
Am Elys (AEL)	400	150	20	30	20	400	150	20	30	20	Unwarranted (700)	400	150	20	30	20	Unwarranted (700)	400	150	20	30	20
Am Elys (AEL)	700	445	125	25	25	875	875	875	875	875	Unwarranted (700)	280	185	20	25	25	875	185	20	25	25	875
ASDA	100	35	5	5	5	100	35	5	5	5	Unwarranted (700)	280	185	20	25	25	875	185	20	25	25	875
ASDA	100	35	5	5	175	175	235	25	35	175	175	235	25	35	175	175	235	25	35	175	175	235
Bvt. Elys (BVL)	500	51	—	—	—	500	51	—	—	—	500	51	—	—	—	500	51	—	—	—	500	51
Bvt. Elys (BVL)	500	51	—	—	—	500	51	—	—	—	500	51	—	—	—	500	51	—	—	—	500	51
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Bvt. Elys (BVL)	500	51	—	—	—	500	51	—	—	—	500	51	—	—	—	500	51	—	—	—	500	51
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EQUITIES

Brushtail (129)	100 130 140	74 75 76	141 142 143	175 176 177	194 195 196	204 205 206	390 391 392	45 46 47	49 50 51	111 112 113	24 25 26	34 35 36	Readers (940)	900 901 902	71 72 73	98 99 100	21 22 23	44 45 46	53 54 55
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Fish (917)	460 500 550	73 74 75	84 85 86	1 2 3	4 5 6	7 8 9	120 121 122	14 15 16	17 18 19	22 23 24	26 27 28	32 33 34	Laurel Inks (129)	140 141 142	22 23 24	26 27 28	32 33 34	38 39 40	44 45 46
Hydro (917)	460 500 550	73 74 75	84 85 86	1 2 3	4 5 6	7 8 9	120 121 122	14 15 16	17 18 19	22 23 24	26 27 28	32 33 34	Laurel Inks (129)	140 141 142	22 23 24	26 27 28	32 33 34	38 39 40	44 45 46
Scottish (917)	460 500 550	73 74 75	84 85 86	1 2 3	4 5 6	7 8 9	120 121 122	14 15 16	17 18 19	22 23 24	26 27 28	32 33 34	Laurel Inks (129)	140 141 142	22 23 24	26 27 28	32 33 34	38 39 40	44 45 46

Issue	Amount	Latest	1991		Closing	
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Issue	Amount	Letter	1991		Closing
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● First Dealings	Aug. 19	London Share Service
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For further information contact **FINSTAT** on **071-702 0991**.

UK COMPANY NEWS

Taylor Woodrow falls to £25.3m

By Andrew Taylor, Construction Correspondent

THE SHARE price of Taylor Woodrow fell 12p to 313p yesterday after the property and construction group announced substantial losses on international construction contracts and a London property development.

The provisions, thought to total more than £30m, were announced as Taylor Woodrow revealed that pre-tax profits had tumbled by a third to £25.3m during the first six months of this year.

Mr Peter Drew, chairman, said the results were "an eloquent reflection of the widespread effects of the current economic recession".

The company said that the provisions, which had been unexpected by analysts, had been offset to a large extent by the sale of Churchill Square, a development in Brighton, and by a 49 per cent reduction in tax from £12.9m to £6.6m.

The decline in the tax charge was brought about by a change in the mix of property disposals during the first half, according to Taylor Woodrow.

Individual provisions, each thought to run into several

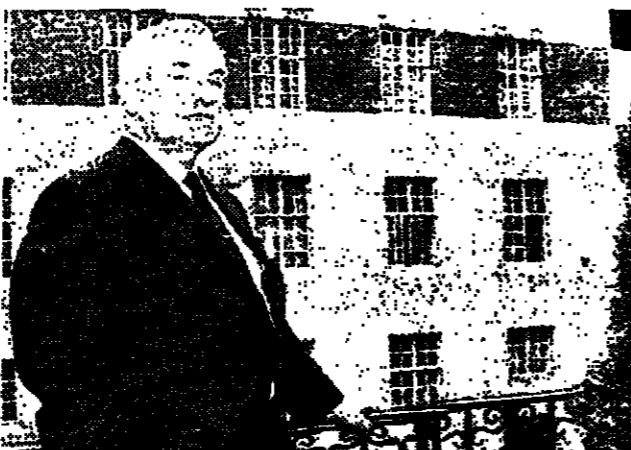
million pounds, had been made against:

- St Mary Abbots, a town house and luxury flat development in Kensington;
- several substantial US construction contracts for which claims were being considered;
- building the western bridge for the Storebelt project which will connect the island of Zealand to the Jutland peninsula in Denmark. The contract has been awarded to a consortium in which Taylor Woodrow has a 21 per cent stake.

This is the second batch of provisions to be announced by Taylor Woodrow on the Storebelt project. The company intends to submit claims to cover cost increases caused by design changes.

It had also imposed strict controls over taking further construction contracts in the US to prevent further losses and provisions.

Mr Drew said: "We are enduring the worst conditions for over half a century and, despite all attempts to insulate the company from a major cyclical downturn, the impact of sustained high interest rates



Peter Drew: we are enduring the worst conditions for over half a century which has affected all sectors

and a widespread lack of confidence has affected all sectors of the company's business adversely."

Earnings per share, after adjusting for the £162m rights issue, slipped from 6.9p to 4.9p.

The interim dividend is maintained at 1.86p. About half of the rights issue cash had been committed for investment including the £41m

purchase of a freehold industrial property portfolio from Slough Estates. The group had also acquired a modest office development in Berlin jointly with Norwich Union.

At the end of June net debt had been reduced to 9 per cent of shareholders funds. Mr Drew said this reflected a healthy operating cash flow and a strong balance sheet.

See Lex

First Direct chief to take over at Mercury

By Hugo Dixon

MR MICHAEL Harris, chief executive of First Direct, the telephone banking company owned by Midland Bank, has been brought in as the new chief executive of Mercury Communications in the latest phase of a management reorganisation at its parent Cable and Wireless, the UK-based international telecommunications group.

As part of the reorganisation, Lord Young, executive chairman, has also promoted Mr Peter van Cuylenburg, Mercury's previous chief executive, to group director with responsibility for businesses in OECD countries. Mr Brian Pemberton, currently managing director of C and W world-wide services, becomes group director for non-OECD countries.

The reorganisation follows the departure last month of Mr Gordon Owen, the group's managing director. It involves the creation of a new executive chairman's committee consisting of Lord Young, Mr van Cuylenburg, Mr Pemberton and Mr Rod Olsen, group director for finance and business planning.

C and W argued that Mr Harris, 42, had the right combination of marketing skills and background in technology to make a success of Mercury. He is credited with making First Direct a force to be reckoned with in competition with the big four clearing banks - a task Lord Young compared to Mercury competing against British Telecom.

Lord Young made clear that yesterday's reshuffle was not the end to management changes. He reaffirmed his intention to appoint a new group managing director within a year saying that current members of the executive chairman's committee would report to this new executive.

Mr van Cuylenburg pointedly corrected his chairman by saying that the roles of those in the committee rather than the individuals would report to the new managing director. This comment apparently revealed that Mr van Cuylenburg considers himself a front-runner for the job.

Bowater advances 5% to £51m but foresees further job cuts

By John Thornhill

BOWATER, the packaging, printing and engineering group, yesterday reported a 5 per cent improvement in pre-tax profits but said it could see no improvement in the tough trading conditions and might have to shed more jobs.

The company supplies a wide range of customers across many industries in the UK, US and Australia, and is highly sensitive to shifts in demand. Mr David Lyon, chief executive, said there had been no improvement in its order books. "It's damn difficult to tell when the recession is going to end," he said.

In the first half, Bowater shed 670 employees and warned that a further 200 to 300 job losses could follow unless there was a pick-up in demand.

In the six months to June 30, pre-tax profits advanced from £46.4m to £51m, although this improvement was entirely due to a reversal in the company's interest position.

Operating profits from continuing businesses slumped from £57m to £46.5m. But the company received interest income of £14.6m - including a credit from the amortisation of its pension fund surplus and capitalised interest - compared with payments of £11.5m in the comparable period.

Gearing rose to 38 per cent during the half but this largely reflected the rise in the value of the dollar rather than an outflow of cash.

At the end of the period Bowater had £250m of cash in London but had US and Australian dollar-denominated bor-

rowings of £350m (revised to \$405m following the 16 per cent rise in exchange rates during the half year).

Sales from continuing businesses fell 8 per cent to £606m (£586m). Operating profits from print and packaging slipped from £38.8m to £31.8m, although these were adversely affected by the division's exposure in Brazil.

The costed industrial films division recorded static profits of £3.5m, engineering activities yielded a much-reduced £2m (£5.3m) and tissue and timber operations contributed £500,000 (£1.1m). But building materials saw a strong gain against the market trend to £3.7m (£1.3m).

Fully diluted earnings fell to 21.2p (23p). The interim dividend is held at 9.5p.

See Lex

Hickson makes £10.6m flooring sale to Headlam

By Richard Gourlay

Shares in Hickson International, the Yorkshire-based chemicals group, jumped 13p to 266p on news that it had sold Hickson Flooring Distributors in line with a new policy to concentrate on core chemical businesses.

The proposed £10.6m sale is to Headlam, the footwear and fabrics group.

Mr Ken Schofield, Hickson's chief executive, said the sale would help reduce gearing. In December, it stood at 130 per cent on net debt of £107m and at the interim stage debt had risen by another £25m-£30m.

In 1990 Hickson Flooring Distributors incurred an operating loss of £1.1m on sales of £39.9m.

The size of the acquisition led to the Stock Exchange suspending Headlam's shares. The group has a market capitalisation of about £2m while Hickson Flooring Distributors has assets of about £10.5m.

The shares will remain suspended until Headlam's advisers, Robert Fleming, circulate details of the transaction to shareholders.

Headlam expects to fund the cash acquisition by issuing new shares.

Pickwick plunges 95%

By Peggy Hollinger

PRE-TAX PROFITS at Pickwick Group, the audio and video entertainment company, plunged 85 per cent to £2,000 for the six months to June 30, in spite of a rise in turnover from £29.8m to £33.5m.

However, Mr Ivor Schlossberg, chairman, said he was confident the shortfall could be recovered in the second six months. "About 80 per cent of our profits last year were made

in the second half," he said. The group wrote off the £500,000 costs of restructuring the Old Gold music business which had been "particularly hard hit by the decline in consumer spending."

The French music business, which last year broke even, reported a £500,000 loss.

Earnings per share fell to 0.18p (3.85p) and the dividend is maintained at 1.65p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Bowater	9.51	Nov 1	9.5	-	21
Hambro Country	0.05	Oct 28	0.05	-	0.05
IMI	4.2	Oct 14	4.2	-	10
Intrum Justitia	0.8	-	0.6	-	1.8
Isotron	2.34	Nov 15	2.07	3.59	3.12
Jourdan (Thomas)	0.5	Nov 1	1.5	-	2.5
MTM	1.87	Oct 24	1.7	-	5.1
Office and Elect	0.1	Dec 9	0.1	-	0.1
Peck	1.05	Jan 3	1.05	-	3.4
Pentos	0.7	Oct 11	0.6	-	2.5
Pickwick	1.65	Nov 8	1.65	-	5.35
Palon S	1	Oct 25	1	-	2.4
Record	1.15	Oct 31	1.15	-	3.6
Repsol	3.5	Dec 31	3.5	-	8.25
Scholl	2.51	Nov 12	2.5	-	6
Sedgwick	4	Oct 25	4	-	12
Taylor Woodrow	1.86	Oct 1	1.86	-	9.5
WSP	1.11	Oct 21	1.1	-	2.9

Dividends shown pence per share not except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. \$USM stock. ‡Scrip option.

UK activities help Intrum Justitia surge to £4.6m

By Richard Lapper

INTRUM JUSTITIA, the Netherlands-based debt collection agency which obtained a London stock market listing last year, yesterday reported a 53 per cent increase in pre-tax profits to £4.6m for the half year to end-June.

Following strong expansion, especially in the UK, turnover from fee income rose to £36.6m (£30.9m).

Expenses climbed to £30.2m (£17.6m) and net financial income and expenses amounted to £1.8m (£256,000).

Earnings per share advanced to 3.7p (2.9p) and the interim dividend is increased from 0.8p to 0.9p.

The group's commercial debt businesses generated about 50 per cent of income, but over a third of revenues came from the UK, where buoyant demand from banks, building societies, credit card companies, mail order companies and utilities fuelled growth in the consumer debt division.

Mr Gert van Laar, European managing director, said Intrum now had a share of between 37 and 40 per cent of the market for consumer debt collection. UK revenues amounted to £13m.

Elsewhere, Intrum remained strong in Sweden, where the company was founded in the 1920s, with turnover of £10.5m; Finland put in £2.5m, Germany £1.7m, Norway £3.3m, Switzerland £3.3m and the Netherlands £1m.

Although the company only has 2 per cent of the UK market for commercial debt collection, Mr van Laar believed there was potential for expansion in this area - especially in a large proportion of Scholl's business was based outside the UK. In the first half 75 per cent of turnover was derived from non-UK markets.

Bad weather across Europe affected the footwear products business for which the months between April and June were

Lower interest charges push Scholl to £11.6m

By Michio Nakamoto

A SHARP drop in interest charges helped Scholl, the supplier of foot and personal healthcare products, lift interim pre-tax profits despite a decline in turnover.

Group profit improved from £11.5m to £11.6m largely as a result of a fall in interest costs to £274,000 (£2.07m). Borrowings were eliminated with the net proceeds of £24.5m realised from the rights issue in May. Turnover fell to £82.9m (£87.3m) in the face of adverse exchange rates and a widespread downturn in consumer demand.

The effect of a 4 per cent weakening in exchange rates was particularly pronounced as a large proportion of Scholl's business was based outside the UK. In the first half 75 per cent of turnover was derived from non-UK markets.

Bad weather across Europe affected the footwear products business for which the months between April and June were

crucial, said Mr Neil Franchino, chief executive.

Meanwhile, severe destocking programmes adopted by both organised and independent traders in the UK and Europe affected business. It got to the point where chemists didn't care whether the customer had to go to the next store to buy what they wanted, Mr Franchino said.

Turnover rose in the rest of the world, however, he said. Market share has been increased or maintained in all of its worldwide markets and a cost cutting programme had enabled operating margins to be broadly maintained.

Scholl is looking to increase its presence in the market for over-the-counter health care products.

With the help of a reduced tax rate earnings per share increased 12 per cent to 11.3p (10.1p). The interim dividend is maintained at 2.5p on the higher capital.

TAYLOR WOODROW plc

1991 INTERIM RESULTS



- * Results reflect the widespread effects of the current economic recession
- * Following successful rights issue, industrial property portfolio acquired and numerous other proposals are under active but cautious scrutiny
- * Overheads reduced, modestly geared with substantial bank facilities, healthy operating cash flow and a strong balance sheet

Extracts from the Statement by Peter Drew CBE, Chairman

INTERIM RESULTS

(unaudited)

	6 months ended 30 June 1991	6 months ended 30 June 1990
Turnover	£759.3m	£673.7m
Profit before tax	£25.3m	£38.0m
Earnings per share	4.9p	6.9p*
Dividend per share	1.86p	1.86p

*after adjustment for the rights issue in 1991

TAYLOR WOODROW



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This announcement appears as a matter of record only.

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Agent

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Funds provided by

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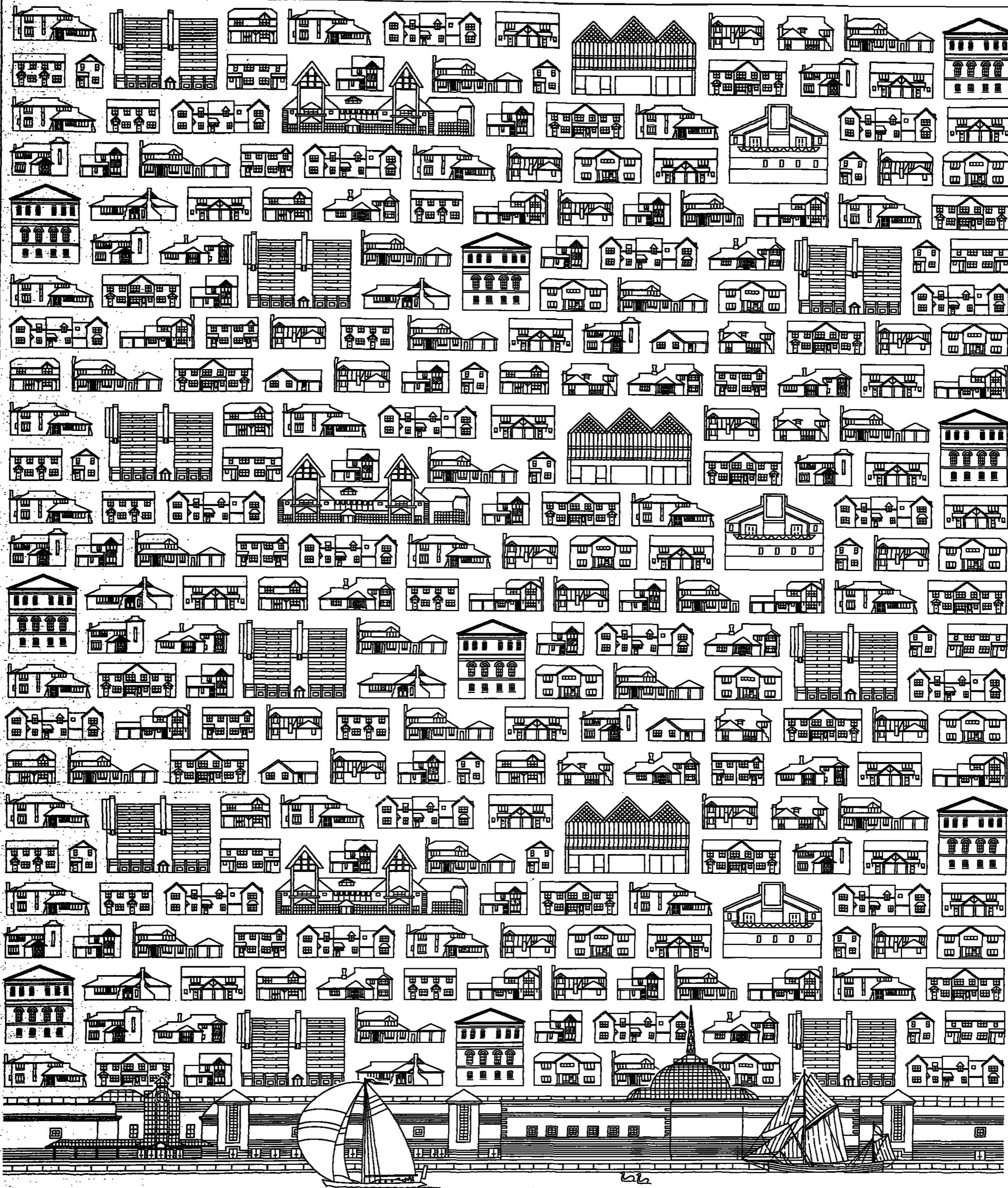
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August 1991



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CONSTRUCTION & HOUSE BUILDING

UK COMPANY NEWS

A missed window of opportunity

Alan Cane takes a look at the falling fortunes of Psion

HARD HIT by a combination of the recession and the costs of new product introductions, Psion, the London-based electronics company which is the UK's standard bearer in hand-held computers, barely turned in a profit in the first half of 1991.

Its sales and profits before tax, substantially below last year's figures, raise fresh questions about prospects for small, innovative European companies in today's fast moving, cash-hungry, electronics marketplace.

Pre-tax profits at Psion - best known for its Organiser electronic filing system - have now fallen for three consecutive half years. Mr David Potter, founder and chairman, warned that although he believed the second half of 1991 would be better than the first, he did not anticipate a dramatic improvement. Psion shares fell 2p to 40p on the news to equal their lowest price this year.

For the six months to June 30 the company had turnover of £11.53m, some 25 per cent lower than in the first half of the previous year.

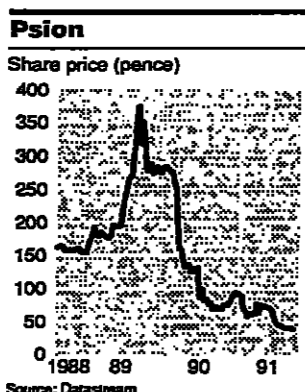
Profit before tax of only £27,000 compared with £314,000 a year earlier and with £1.63m for the first half of 1990. For 1990 as a whole, sales totalled £31.4m.

First half earnings per share fell from 0.87p to 0.12p but the interim dividend is maintained at 1p on the grounds that gearing remains low and that the company's financial position is sound.

Mr Potter identified two reasons for Psion's disappointing performance.

First, the failure of the MC range of laptop computers which should by now have taken over from the Organiser family as the main source of Psion's revenues. "A gap in the company's products" was how Mr Potter euphemistically described the failure of the range yesterday.

The MC machines, in fact, contributed only about £1.25m



Source: Datastream

to revenues in the first half of the year and there is no indication that the range is set for a sales revival. Mr Potter says the range will continue to be supported and developed, however, including the introduction this year of high quality word processing software.

The MC machines were well received when first introduced, but sales were hampered initially by a shortage of peripheral equipment and business software from which they have never recovered.

The company clearly underestimated the scale of resources necessary to introduce and support such an innovative new product family. By the time peripherals and software had been developed and brought to market, the trend to Japanese "notebook" computers had already started and Psion had lost a window of opportunity. "We were unlucky in our timing", Mr Potter says.

Second, the recession brought an unprecedented decline in capital spending which has damaged Psion's key corporate markets. The group's early success was based on the flexibility of the Organiser hand-held machines. Designed primarily for retail sales as an electronic diary and filing system the Organiser quickly established itself as a corporate tool finding applica-



David Potter: Two reasons for the poor results

tions in department stores, public utilities, banks and telecommunications companies.

Retail sales of the Organiser have been in decline for two years as a result of competition from Japanese manufacturers offering more up-to-date technology, but sales to corporate customers continue to provide the greater part of Psion's revenues.

Mr Potter believes the Organiser has another three or four years of life, but sales have inevitably been depressed during the recession.

What hopes are there for recovery? The company has already cut business costs by 28 per cent and reduced stocks to a "modest" level. It is now looking to the breadth of its product line and the potential of new hand-held products to generate renewed profitability.

Mr Potter believes there will be explosive growth in hand-held devices when business recovers, based on the power that can be built into a hand-held unit these days and the potential for linking hand-held computers over radio networks.

He argues that:

- Problems at the company's troubled Dacom data communications subsidiary, which depressed profits in earlier years, are now under control and the unit is contributing slightly to profits.
- The company's new range

of HC hand-held business computers was launched in April and has been well received; the range will make a contribution to profits in the second half of the year.

● The company will launch a new pocket-sized computer next week which should attack a market that Japanese manufacturers and US specialists in hand-held machines, like Hewlett Packard, are trying to make their own. Mr Potter says the new Psion computer will leap-frog Japanese products in terms of power and functionality.

Will the cost of supporting the new pocket computer prove as burdensome as supporting the MC range?

Mr Potter says that the company is ready to reap the benefit of its investment in technology for portable computers. All Psion's ranges use the same design principles, the same software and the same communications systems. "Like a motor manufacturer, we can put different engines into the same chassis".

But while it profited greatly from being first on the market with the Organiser type of product, there are already a number of pocket computers on offer.

Has the window of opportunity again been lost? Mr Potter says the capabilities of the new device outstrip anything seen so far in pocket computers and at a significantly lower price. He believes it will set the standard rather than follow it.

The fact is that virtually all computer companies have been hit hard by the recession but Psion remains unsatisfactorily vulnerable both to fluctuations in the business cycle and to fashion. The MC range did not sell well because fashion in portable computing had, to some extent, passed it by.

Analysts are suggesting pre-tax profits of £200,000 for the full year on sales of approximately £25m.

If there is to be a jam at Psion, it will not sweeten Mr Potter's life before late 1992.

Former IBA chief takes chair at Transworld

By Ian Hamilton Fazey, Northern Correspondent

MR JOHN WHITNEY, former director-general of the Independent Broadcasting Authority, has been appointed chairman of Transworld Communications, the USM-quoted local radio operator which yesterday announced interim losses of £1.08m, against £1.17m, on turnover down from £6.26m to £5.2m.

He succeeds Mr Owen Oyston, the Lancashire entrepreneur, who last month resigned as chairman after principal shareholders refused to back a much-needed rights issue unless he quit.

Details of a 5-for-2 rights issue were also announced yesterday. Nearly 28m new shares will be issued at 45p each, payable in full on acceptance. The shares fell 15p to 98p yesterday.

The issue, which is expected to raise some £12m after expenses, will eliminate borrowings arising from the takeover of Manchester's Piccadilly Radio in 1989.

The Guardian-Manchester Evening News group, which owns 20 per cent of Transworld, confirmed that it would take up its rights.

Ramp, the newspaper, magazine and local radio operator, which has 17.6 per cent, indicated that it would do so when forcing Mr Oyston's resignation.

Mr Oyston, who holds 22 per cent, told the annual meeting that he would also take up his rights.

Transworld's hopes of averting its debt crisis were dashed by recession and the slump in advertising during and after the Gulf war.

Shareholders lost confidence in Mr Oyston, whom Mr Harry Roche, chairman of the Guardian-MEN, accused of running the company like a private business.

Sedgwick affected by low US rates and exchange movements

By Richard Lapper

AN UNEXPECTED fall in insurance rates in the US and the impact of exchange rate movements depressed Sedgwick Group, the UK's biggest insurance broker, leaving it with interim pre-tax profits down from £67.7m to £55.3m. Earnings per share fell to 10p (10.4p) but the interim dividend is maintained at 4p.

At constant exchange rates revenues for the six months to June 30 fell only 1 per cent, but declined 6 per cent in sterling terms to £355.7m (£377.5m). Operating income - from brokerage commission and fees - decreased by 5 per cent to £226.1m (£242.8m).

Lower UK and US interest rates were responsible for a 15 per cent fall in investment income to £29.6m (£34.7m).

The impact was offset by a reduction in expenses to £296.6m (£303.6m), although the

fall was marginal in constant exchange rate terms.

Mr David Rowland, chairman, admitted that the decline in rates over the second quarter in the US - which generates about a third of operating income - had been surprising in view of the already depressed state of that market.

"We hadn't expected that the US market would weaken again. Rates are still going down. As the year has worn on it has become clear that people are writing business for market share," said Mr Rowland.

Commercial insurance rates were also soft in the UK and Europe.

Rates for marine and aviation insurance in the London market have risen, but the impact of increasing rates in the catastrophe reinsurance

market in London had been offset by a marked shrinkage in capacity with a number of reinsurers - Lloyd's syndicates and companies alike - quitting the market.

EW Payne, the reinsurance subsidiary which generates about 15 per cent of Sedgwick's operating income, experienced an 11 per cent reduction in income to £42.4m (£47.9m).

The unevenness in rating trends meant this was "a very difficult market to do business in," said Mr Rowland. Despite the recent strength of the dollar, on average Sedgwick was able through hedging to obtain a more favourable exchange rate in the first six months of 1990.

Sedgwick claims continuing success in its efforts to reduce expenses, especially in North America.

See Lex

NEWS DIGEST

Slimmer Ropner falls to £2.3m

ROPNER, the Darlington-based engineering, shipping and property group, saw pre-tax profits fall from £2.97m to £2.27m in the first half of 1991.

However, ongoing activities showed higher profits of £1.46m, against £1.12m. In the second half of the previous year the garden products and insurance broking activities were sold.

The pre-tax figure was struck after net investment income of £214,000 (£275,000 charge).

Turnover was £7.64m (£8.8m). After tax of £581,000 (£1.06m) earnings per share were 6.2p (7.7p). An unchanged interim dividend of 3.5p is declared.

There was an extraordinary profit of £360,000 (£345m) arising from the sale of the MV Iron Kirby for \$3.9m (£2.32m).

Turnover for this manufacturer of hand and power tools, fell from £18.9m to £13.4m.

Activities discontinued or sold accounted for half of the home sales decline. Operating margins improved from 13 per cent to 15 per cent.

Earnings per share were 3.42p (4.83p) and the interim dividend is again 1.15p.

OEM

Taxable profits of Office and Electronic Machines rose from £10,000 to £14,000 for the half year to June 30.

At the operating level the company incurred losses of £341,000 (profits £35,000) but these were offset by exceptional credits of £273,000 and a swing from interest payable of £25,000 to income of £82,000.

Turnover of continuing activities totalled £720,000 (£1.19m). Earnings per share emerged at 0.2p (0.13p) and a same-again nominal interim dividend of 0.1p is declared.

Peek

In the first half of 1991, Peek, the international traffic and field data systems group, saw pre-tax profit halve from £5.03m to £3.02m, "in line with expectations in a generally weaker market", explained Mr Ken Maud, chairman.

Traffic operations continued to advance in Europe and the US. The integration of the traffic systems business of Philips, acquired in April, was progressing well and significant new contracts had been gained.

Turnover rose to £38.1m (£35m). Earnings per share were 2.01p (3.98p) and the interim dividend is again 1.05p.

Arthur Wood

A 4 per cent increase in interim pre-tax profits, from £39,000 to £41,000, was achieved by Arthur Wood & Son (Longport).

For the six months to June 30 turnover of this maker of earthenware products rose 10 per cent to £1.71m (£1.55m). Earnings per share edged ahead to 1.38p (1.28p).

Isotron

Isotron, the irradiation service group, announced a 5 per cent fall in pre-tax profits for the year to June 30.

Turnover rose 18 per cent to £6.44m, but trading profit declined slightly to £2.55m (£2.59m); with interest receivable down to £256,000 (£363,000) the pre-tax balance fell to £2.51m (£2.59m).

Mr Colin Glive, chairman, said all the group's market sectors suffered from the recession and some parts of the healthcare market had been unsettled by the NHS reforms.

The electron processing business had been fully integrated and had a successful year. Earnings per share were 15.1p (15.5p). The final dividend is a proposed 2.34p for a total of 3.59p (3.12p).

Thomas Jourdan

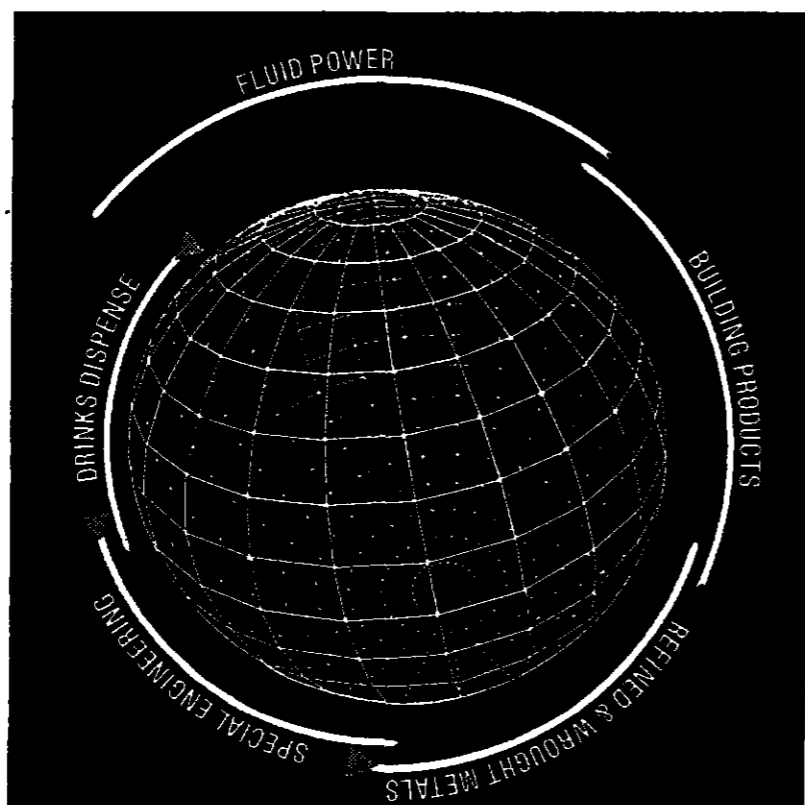
Thomas Jourdan, the consumer products group, tumbled from pre-tax profits of £532,000 to losses of £535,000 for the half year to June 30.

Turnover fell 16 per cent to £11.2m (£13.3m). Losses per share worked through at 2.21p (1.92p earnings) and the interim dividend is cut by 1p to 0.5p.

WSP

WSP Holdings, a consulting engineering group, reported a marginal fall in pre-tax profits from £636,000 to £613,000 in the six months to end-June.

The result was struck on turnover slightly reduced to £5.27m (£5.31m) and after net interest payable of £187,000 (£59,000). The interim dividend is unchanged at 1.1p, payable from earnings per share of 4p (4.9p).



INTERIM RESULTS 1991

	1991	1990
Sales	£496m	£547m
Profit before tax	£40.1m	£63.5m
Earnings per share	8.1p	12.8p
Dividend per share	4.2p	4.2p

"Compared with a record first half year in 1990, our results for the six months ended 30 June 1991 show how severe the effects of recession have been.

The actions which we have taken and are continuing to take are designed to improve our market share and widen operating margins even in the difficult trading climate being experienced. They will also ensure that we resume our previous growth pattern as quickly as possible."

Sir Eric Pountain, Chairman

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GUERNSEY GAS LIGHT COMPANY LIMITED
UNAUDITED INTERIM RESULTS 1991
HIGHLIGHTS

- Consolidated group turnover at record half-year level
- Consolidated group pretax profit at record half-year level
- Interim dividend maintained at 0.90p per share

	Six Months ended June 30 1991 £000's	Six Months ended June 30 1990 £000's	Year ended December 31 1990 £000's
Turnover	62,186	53,302	98,921
Operating Profit	2,486	2,168	3,530
Share of Profits of Associated Companies	123	102	192
Investment Income	7	8	16
Interest	(134)	(328)	(576)
Profit on Ordinary Activities	2,482	1,950	3,162
Taxation	(574)	(427)	(809)
Profit after Taxation	1,908	1,523	2,353
Extraordinary Items	-	6	76
Dividend Net as proposed	(398)	(396)	(893)
Profit Retained	1,510	1,133	1,436
Earnings per Share	3.45p	2.77p	4.27p
Dividend per Share	0.90p	0.90p	2.25p

(1990 Figures adjusted to 10p shares)

Copies of 1990 annual report/audited accounts and 1991 interim results available from: Brian Graham, Company Secretary, Guernsey Gas Light Company Limited, Sydney Vane House, Rue de Commerce, St Peter Port. Telephone: 0481 715634. Fax: 0481 723834.

COMMODITIES AND AGRICULTURE

EC buys wheat from Hungary to feed Albanians

By David Buchan in Brussels

THE EUROPEAN Commission said yesterday that it was buying 45,000 tonnes of surplus Hungarian wheat to give to food-short Albania.

This is the first such "triangular" operation in the European Community's aid programme for eastern Europe, in which Brussels has decided to use the surplus in one Eastern European country to meet the deficit in another.

First proposals by the commission to buy surplus European food to meet the much greater food needs of the Soviet Union have foundered in the Council of Ministers, in which a majority of EC governments have insisted that the ECU50m (117.5m) of EC food aid pledged to the Soviet Union should come out of EC stocks. This will finance about 84,000 tonnes of food, of which some 5,000 tonnes have already been dispatched.

Commission officials said they were unsure whether the Albanian operation could be used as a precedent for aid packages elsewhere. It was

only possible because the EC executive could act on its own authority to take the ECU50m cost of the Hungarian wheat out of money already approved for Hungary under the community's aid programme for eastern Europe.

The commission has a standing request for approval by EC governments and the European Parliament for 50,000 tonnes of food for Albania, and it announced yesterday it was raising this request to 100,000 tonnes.

The officials said Albania was desperately short of food, needing some 50,000 tonnes of bread-making wheat a month until the next harvest in mid-1992 to maintain adequate levels of consumption. Considerable amounts of aid have been pledged by Italy, which is anxious to keep Albanian refugees out. But the capacity of Albania's ports was very limited, officials said, and the great advantage of the Hungarian wheat was that it could be delivered almost immediately by rail.

Brazil and Colombia form coffee task force

PRESIDENT FERNANDO

Collor de Mello of Brazil and President Cesar Gaviria of Colombia have formed a task force which will, over the next few weeks, study the viability of a scheme to hold back 10 per cent of coffee production from the market, writes Victoria Griffith in Sao Paulo.

The move marked the first official acknowledgement of the plan by the Brazilian government. Government and private sector representatives will take part in the talks.

The two countries hope to form a unified stance to present to the meeting of the International Coffee Organisation in London on the September 23.

Mr Jorge Cardenas, president of the National Coffee Federation of Colombia, said his country would receive financing for the scheme through American banks. It is still uncertain where Brazil will obtain the funds. According to the coffee market here, Funchal, the government coffee agency, will offer some financing, and the private sector will provide the rest.

Matlock man's Soviet coal coup

Juliet Sychrava talks to the man who bought a Siberian mine

EARLY THIS year Mr Maurice Cartwright from Matlock, Derbyshire, bought a Siberian coal mine, thus becoming the first Westerner to own a Soviet mine. Last Friday he exported his first cargo of coal to Japan and by 1992, he estimates, he will have made a total profit of \$22m.

It all began in January, when Mr Cartwright, a coal engineer who set up his own business three years ago, found himself in Siberia. "A Muscovite intermediary tipped me off," he says, but he expected nothing more than some consultancy work, his usual line of business.

Making his way to the snow-bound mine, known as Polosukhinskaya, deep in the heart of Soviet coal mining country in western Siberia, Mr Cartwright met Mr Igor Aladin, the mine's managing director.

I turned up at their door. I didn't know they wanted a Western partner, I thought they wanted an engineering

consultant. Talks developed, and I realised that they did want a partner."

Three months and several meetings later, the British Siberian Coal Company, or Britsco, was born. In July, it was fully registered as a 60-40 UK-Soviet joint venture - number 290.

The UK partners are Mr Cartwright, Mr Heinz Stolling of the Swiss coal marketing company Trico AG, and their accountant. The Soviet partners are the local ministry, the local railway, the mine's managers and its 1,900 workers, all shareholders. They have owned the mine as leaseholders since 1980, when the local ministry handed it over to the management to run under a private lease.

Most of the \$9m capital being put into the venture by Mr Cartwright will be spent on modern mining equipment, including the first long wall system in the Soviet Union.

The potential of the mine is considerable. It is set in perhaps the richest coal

mining basin in the world, an area the size of Hungary known as the Kuzbass Basin. With reserves of 400m tonnes, the mine produces 2.5m tonnes of high quality coking coal a year. Mr Cartwright says he will double that by 1992. He will then sell the coal on the world market, for dollars. Of the total production, 1.5m tonnes goes to fill a state quota, but the balance can be transported by rail to Odessa, where it is loaded onto ships.

The main problem is the infrastructure, the railway," Mr Cartwright says. "There's nothing we can do about that."

Apart from that, he seems untroubled by recent events in the Soviet Union, although he admits to having some sleepless nights a week ago. One of the mine's directors, Mr Yuri Gerold, is close to Mr Boris Yeltsin, president of the Russian Federation, and was with him during the upheaval.

Mr Cartwright, whose last two jobs were recovering coal from lakes in Swe-



Maurice Cartwright: he expected no more than some consultancy work

den and improving procedures for loading coal onto ships in Venezuela and Colombia, is something of a cool customer.

His ambitions do not end with Polosukhinskaya. He has also personally bought Buzass, an open-cast pit producing 1.5m tonnes of steam coal, about 300 km (180 miles) away. "It will come on stream in 1992, and I can double its output," he says.

Equatorial guinea to join African oil league

By Howard Schlusser

EQUATORIAL GUINEA is set to become in October the newest member of the West African oil producers' league with the coming on stream of the offshore Alba gas/condensates field, the first time such a discovery is developed in Africa.

Initially, however, only the condensates in the Alba field will be exploited, production is to start at the rate of 2,000 barrels a day (b/d), moving up by the mid-1990s to the 4,000-5,000 b/d range.

The Alba field, boasting reserves of 42m barrels of condensates and 600m cubic feet of gas, was discovered in the mid-1980s by Spain's Repsol.

In 1990, a group of American independents led by Texas-based Walter International took over the licence area, located north of Bioko island, close to the maritime boundary

with Cameroon and Nigeria.

To date, only scant exploration has taken place in the country despite the fact that it is at the very heart of the Gulf of Guinea, a proven hydrocarbon province.

Holding back exploration work was the belief among oil men that the Alba field was a continental plateau tended to be gas-prone. However, certain specialists now reckon that by drilling deeper structures could yield more rewarding results.

Indeed, deeper formations on the Alba block will be Walter's target in 1993 when it is scheduled to drill a wildcat well.

Other exploration plans in the former Spanish colony involve acreage offshore in Rio Muni enclave, wedged in between Cameroon and Gabon.

Soviet metal tide 'may soon ebb'

By Kenneth Gooding, Mining Correspondent

SOVIET METAL exports to the west, which have risen very sharply in the past year, may have peaked, suggests Mr Jon Bergthell, analyst with the James Capel financial services group.

He argues that, if the Soviet Union is given access to more western credit as a result of the failed coup, "the focus of attention is likely to swing back to downstream production within the Soviet Union rather than the present emphasis on pushing as much raw material as possible across the borders in the chase for foreign exchange."

Mr Bergthell, in Capel's International Mining Review, suggests that Soviet metal exports have increased "simply because the state has managed to make the maintenance of metal production a priority while internal usage of downstream metal products has collapsed along with the economy."

Meanwhile, he points out, most Soviet smelting and refining capacity has been deteriorating while the finance required for expansion has been limited. The Soviet Union

also has starved its satellite and associate states (such as Cuba) of many raw materials during the past few years, preferring to sell its product to the west in exchange for "meaningful money".

Mr Bergthell recalls that Soviet exports of the most heavily-traded metals - copper, aluminium and nickel - have risen substantially.

Copper exports have jumped from 30,000 tonnes in 1986 to 180,000 tonnes last year and were running at an annual rate of 230,000 tonnes in the first half of 1991. Aluminium exports were up from 170,000 tonnes to 270,000 tonnes and were at an annual rate of 350,000 tonnes in the first half while nickel exports rose from 35,000 tonnes to 78,000 tonnes over the same period and in the first six months of this year were at an annual rate of 120,000 tonnes.

He says the economic recovery of the Soviet Union will almost certainly be a long and slow process. But the Soviet Union will have to divert raw materials from exports to local production if it is to provide adequate living standards for

its people. "It is possible we have now seen the worst excesses of Soviet metal dumping in the west and that this phase will dovetail perfectly with the revival of western economies, driving metal demand to such a point where the recent stock build-up is reversed."

About 10,000 tonnes of Soviet nickel is in Rotterdam being cut into sizes suitable for delivery to London Metal Exchange registered warehouses, traders say. If there were customers for the metal it would not have to be cut and therefore it is likely to be moved gradually into LME stocks, they suggest.

The problem stems from a relaxation of state controls enabling Soviet nickel producers to sell directly to world markets. This has caused many sales agencies to spring up and some lack foreign trade experience, they add.

Ord Minnett, analyst with the market has already taken account of the Soviet nickel in Rotterdam. He says: "It should not push prices any lower."

German farmers set harvest records

By Christopher Parkes in Bonn

GERMAN FARMERS set new records for grain production this summer. The harvest rose by 2.4 per cent to 38.5m tonnes despite cuts in the area under cultivation and a substantial drop in yields in the former East Germany. Surplus supplies put further downward pressure on prices, the food ministry said.

Lower market prices and rising input costs had resulted in a 25 per cent drop in western farmers' incomes over the past two years, the ministry added, and now season cereal prices were already between DM1 (34p) and DM2 a tonne lower than last year's.

Almost 28m tonnes of the total harvest came from the west, where 500,000 fewer hectares than last year were sown

- a reduction of 0.9 per cent. However, a 7 per cent surge in yields to 62 quintals (100 kg each) a hectare more than compensated for the cuts.

The area under grain in the east fell almost 17 per cent and yields per hectare dropped by more than 6 per cent to 53 quintals. Next year, according to official estimates, German cereal growers are expected to reduce plantings by a further 500,000 hectares.

A big decline in sowings of quality bread-making wheat in the UK has led to a wide premium emerging over feed wheat this year.

The Home Grown Cereals Authority said yesterday that, while there were as yet no figures for the total harvest, seed certification figures showed

that only 21 per cent of the total area sown to wheat this year was of bread-making quality, compared with 30.5 per cent last year and 41 per cent the year before. This year's UK harvest is expected to total around 15m tonnes.

Milling quality wheat for delivery in September in East Anglia has fetched £139.50 a tonne, compared with £113.75 for feed wheat, the authority said. However, since the harvest started, the premium has begun to fall as quality appears better than was expected.

Farmers expect a fair premium for bread-making wheat, as the yields on such high-protein varieties are lower. In the last couple of years the premium has fallen as low as £3 to £4 a tonne.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market, min. 99.5 per cent, \$ per tonne, in warehouse, 1,640-1,670 (same).

BISMUTH: European free market, min. 99.95 per cent, \$ per lb, in warehouse, 2,800-2,820 (same).

CADMIUM: European free market, min. 99.5 per cent, \$ per lb, in warehouse, 1,950-2,15 (1,45-1,70).

COBALT: European free market, 99.5 per cent, \$ per lb,

in warehouse, 13,850-14,300 (13,60-14,00).

MERCURY: European free market, min. 99.99 per cent, \$ per 76 lb flask, in warehouse, 75-95 (same).

MOLYBDENUM: European free market, min. 99.95 per cent, \$ per lb, in warehouse, 2,270-2,320 (2,300-2,350).

SELENIUM: European free market, min. 99.5 per cent, \$ per lb, in warehouse, 4,800-5,400.

TUNGSTEN ORE: European free market, standard min. 65 per cent, \$ per tonne unit (10

kg WO₃, cif, 59-67 (same).

VANADIUM: European free market, min. 98 per cent, \$ a lb V₂O₅, cif, 2,200-2,400 (2,250-2,450).

URANIUM: Nuxco exchange (value, \$ per lb, U₃O₈, 8.55 (same).

LME WAREHOUSE STOCKS (As at Monday's close)	
Aluminium	+13,050 to 618,100
Copper	+3,800 to 307,050
Lead	+1,200 to 94,500
Nickel	+492 to 12,274
Zinc	+2,200 to 141,775
Tin	-185 to 15,400

Norwegian platform on stream ahead of schedule

By Karen Fossli in Oslo

THE NORWEGIAN North Sea Oseberg C platform, operated by Norsk Hydro, Norway's biggest publicly-owned company, has come on stream one month early and is set to boost domestic crude oil output to beyond 2m barrels a day by October or November, surpassing Britain as Europe's biggest oil producer.

Initial output from the NK110th (2870m) platform is estimated at about 40,000 barrels a day but is expected to achieve design capacity of 110,000 b/d within the next two months.

In May Norway produced a record 1.56m barrels a day but that was reduced sharply during summer platform maintenance operations.

Oseberg C is 14 km (8.5 miles) north of the main Oseberg platform which produces 320,000 barrels a day of crude.

When the C platform achieves full production, the Oseberg field will overtake the Gullfaks field which produces 360,000 barrels of crude oil a day, and will become Norway's second biggest producer after Statfjord, which pumps about 750,000 barrels a day.

Pressure maintenance in the reservoir to boost crude oil output is helped by re-injection of the gas from Oseberg C.

OECD says sugar policies depress prices

By David Blackwell

SUGAR POLICIES in the developed world have cut world sugar prices by between 5 and 10 per cent, a study by the Paris based Organisation for Economic Co-operation and Development suggests.

In addition, OECD policies "increase world price variability by around 15 to 30 per cent, in particular by shifting the burden of adjustment to world shocks onto other countries and exporting domestic shocks to the world market."

Support is given mainly

through high domestic market prices, which also helps producers of alternative sweeteners, the OECD points out. "By encouraging the development of substitutes to sugar, policies contribute to lower sugar consumption levels, lower returns to sugar producers and higher costs of policy operation, and therefore pose a threat to the sustainability of the policies themselves in their current form."

World trade has been lowered and distorted, the report

suggests. Two studies have estimated developing country exports to be about 3.5m tonnes lower than they would otherwise have been.

Changes to OECD countries' policies "will be necessary if greater signals are to play a greater role in allocating resources in the world sugar market", the report concludes. *The Impact of Policies on the Structure and Functioning of the World Sugar Market. OCDE/GD (91)118. 2 Rue Andre Pasca, 75775 Paris Cedex 16.*

MARKET REPORT

Nickel prices closed just ahead of nine-month lows struck earlier on the LME. Dealers said the losses were prompted by the recent breakdown below \$6,000 a tonne for three-month metal as well as a 492-tonne rise in LME nickel stocks to a two-month high of 7,224 tonnes. Expectations that demand from stainless-steel mills will be below levels seen earlier this year are likely to keep the market under pressure, although further price falls could result in production cuts, they said. Copper closed steady, with the market awaiting today's option declarations. Market talk suggested that some 1,000 to 2,000 lots of September \$2,300 call

options may be declared, which would heighten pressure on the September delivery date, where nearby tightness is centred. This helped the market to shrug off news that LME stocks rose by 3,800 tonnes to 307,050. On the bullion market silver and platinum moved ahead. Dealers said that silver had broken into its previous 390-400 cents a troy ounce range, with previous resistance at 390 now tentative support. Platinum advanced in the wake of an overnight short-covering rally in Tokyo and a shift in sentiment towards the view that the white metal might now recover to parity with gold.

Compiled from Reuters

London Markets

SPOT MARKETS	
Crude oil (per barrel FOB)	+ or -
Dubai	\$17.35-7.42c -0.175
Brent Blend (dated)	\$20.45-0.80 -0.075
Heavy Fuel Oil (Cst)	\$20.45-0.50 -0.125
WTI (1 m. est.)	\$22.10-2.15c
Oil products	
(NWE prompt delivery per tonne CIF)	
Premium Gasoline	\$24.245 +3
Gas Oil	\$19.185 +2
Heavy Fuel Oil	\$22.74c
Naphtha	\$20.729c -7
Petroleum Argus Estimates	
Other	
Gold (per troy oz)	\$348.50 +0.4
Silver (per troy oz)	\$31.50 +8.0
Platinum (per troy oz)	\$341.0 -0.9
Palladium (per troy oz)	\$80.00 -1.5
Copper (US Producer)	106.10 +0.1
Lead (US Producer)	36.40
Tin (Kuala Lumpur market)	15.15c
Tin (New York)	299.00c
Zinc (US Prime Western)	62.0 -0.1
Cattle (live weight)	\$11.11p
Sheep (dead weight)	118.84c -1.75c
Pigs (live weight)	94.67p -1.75c
London daily sugar (raw)	\$221.04c +0.6
London daily sugar (white)	\$289.04c +0.0
Tate and Lyle export price	\$245.00c -1.0
Barley (English heavy)	\$112.5c
Maize (US No 3 yellow)	\$157.00c
Wheat (US Hard Northern)	\$101.5c
Rubber (Oct/91)	\$2.00c -0.60
Rubber (Nov/91)	\$2.50c -0.50
Rubber (PL RSS No 1 Sep)	\$22.80c -0.20
Cocunut oil (Philippines)	\$440.00c
Palm oil (Malaysia)	\$320.00c
Copra (Philippines)	\$290.00c
Soyabean (US)	\$157.00c -0.5
Cotton "A" index	71.50c
Soyabean (44 Super)	360p -2

C a tonne unless otherwise stated. p-pence/kg, c-cent/kg, r-rings/kg, s-Sep/Oct, a-Aug/Oct, o-Oct, n-Nov, w-Jul/Aug, s-Sep/Oct, d-Dec/Nov, H-London Commission average, f-futures, ** change from a week ago, #London physical market, SCF Rotterdam, \$-Bullion market, m-Malaysian cents/kg.

WORLD COMMODITIES PRICES

(Prices supplied by Amalgamated Metal Trading)

COCOA - London FOX	
Class	Previous High/Low
Dec 893	893 894 895
Jan 893	893 894 895
Mar 893	893 894 895
May 893	893 894 895
Jul 893	893 894 895
Sep 893	893 894 895
Nov 893	893 894 895
Dec 893	893 894 895
Jan 893	893 894 895
Mar 893	893 894 895
May 893	893 894 895
Jul 893	893 894 895
Sep 893	893 894 895
Nov 893	893 894 895
Dec 893	893 894 895

Turnover: 5632 (2614) lots of 10 tonnes

ICO indicator prices (US cents per pound) for Sep 2: Comp. daily - (86.14) 15 day average - (85.22)

COFFEE - London FOX

Sep	523	520	530	523
Nov	550	546	555	548
Jan	570	570	577	568
Mar	587	587	585	587

Turnover-3472 (5528) lots of 5 tonnes
with 10 tonnes delivery 4.15 p.m. per annum

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MINES—Contd.

WATER

1991	Stock	Price	Chg
1761	1000000000	17.25	+
1762	1000000000	17.25	+
1763	1000000000	17.25	+
1764	1000000000	17.25	+
1765	1000000000	17.25	+
1766	1000000000	17.25	+
1767	1000000000	17.25	+
1768	1000000000	17.25	+
1769	1000000000	17.25	+
1770	1000000000	17.25	+
1771	1000000000	17.25	+
1772	1000000000	17.25	+
1773	1000000000	17.25	+
1774	1000000000	17.25	+
1775	1000000000	17.25	+
1776	1000000000	17.25	+
1777	1000000000	17.25	+
1778	1000000000	17.25	+
1779	1000000000	17.25	+
1780	1000000000	17.25	+
1781	1000000000	17.25	+
1782	1000000000	17.25	+
1783	1000000000	17.25	+
1784	1000000000	17.25	+
1785	1000000000	17.25	+
1786	1000000000	17.25	+
1787	1000000000	17.25	+
1788	1000000000	17.25	+
1789	1000000000	17.25	+
1790	1000000000	17.25	+
1791	1000000000	17.25	+
1792	1000000000	17.25	+
1793	1000000000	17.25	+
1794	1000000000	17.25	+
1795	1000000000	17.25	+
1796	1000000000	17.25	+
1797	1000000000	17.25	+
1798	1000000000	17.25	+
1799	1000000000	17.25	+
1800	1000000000	17.25	+
1801	1000000000	17.25	+

OIL AND GAS

18	1000000000	18.25	+
19	1000000000	18.25	+
20	1000000000	18.25	+
21	1000000000	18.25	+
22	1000000000	18.25	+
23	1000000000	18.25	+
24	1000000000	18.25	+
25	1000000000	18.25	+
26	1000000000	18.25	+
27	1000000000	18.25	+
28	1000000000	18.25	+
29	1000000000	18.25	+
30	1000000000	18.25	+
31	1000000000	18.25	+
32	1000000000	18.25	+
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179	1000000000		

1991	Stock	Price	%	Div	Yld
High	Low			Yr	Over Yr
PLANTATIONS					
50	44	2.0	1.0	1.0	1.0
51	44	2.0	1.0	1.0	1.0
52	44	2.0	1.0	1.0	1.0
53	44	2.0	1.0	1.0	1.0
54	44	2.0	1.0	1.0	1.0
55	44	2.0	1.0	1.0	1.0
56	44	2.0	1.0	1.0	1.0
57	44	2.0	1.0	1.0	1.0
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68	44	2.0	1.0	1.0	1.0
69	44	2.0	1.0	1.0	1.0
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194	44	2.0	1.0	1.0	1.0
195	44	2.0	1.0	1.0	1.0
196	44	2.0	1.0	1.0	1.0
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200	44	2.0	1.0	1.0	1.0

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar down despite NAPM

THE DOLLAR finished weaker in Europe after a quiet day with the US currency gaining some support from a larger than expected rise to 54.8 from 51.8 in the August US National Association of Purchasing Managers index.

The market expected a figure of about 52.7. It was the seventh consecutive month that the NAPM index increased and the third month in a row that it was above 50. A reading higher than the 50 level indicates that the manufacturing sector is expanding.

There were no other important factors with the market also showing little reaction to a rise of 1.6 per cent in July US construction spending, after a gain of 0.3 per cent in June. Dealers are now waiting for Friday's US employment data, amid speculation that the unemployment rate rose to 6.9 from 6.8 per cent in July.

At the London close the dollar had fallen to DM1.7400 from DM1.7455, to SF1.3700 from SF1.3750, to FF1.3600 from FF1.3650, and to Y135.00 from Y136.00. On Bank of England figures the dollar's index declined to 54.8 from 55.6.

Sterling had a firm tone, reflecting a better political situation for the market after the

latest opinion poll showed the UK Conservatives ahead of the opposition Labour party.

A rise of \$71 million in August underlying UK official reserves was in line with expectations, and indicated that the Bank of England had intervened little if at all to support the pound last month.

The pound rose 70 points to \$1.6920, it also advanced to DM2.9450 from DM2.9400 and to FF1.3650 from FF1.3600, but was unchanged at SF2.8825 and fell to Y230.00 from Y230.25. Its index climbed 0.2 to 91.0.

Sterling remained the third weakest member of the European exchange rate mechanism ahead of the Danish krone and the French franc.

The French currency was the lowest member of the ERM, with the D-Mark rising slightly to FF1.3650 from FF1.3600 at the Paris close.

There was no reaction to the

comment by Mr Pierre Bergey, French finance minister, that the budget has reached the limit of what the economy can bear and must be reined in next year.

The government has already admitted that it will exceed the FF80m deficit set for a target in 1991, while some economists expect it to be above FF100m. The finance ministry now suggests that the deficit will reach 1.5 per cent of gross domestic product this year, rather than the target of 1.17 per cent on which the budget was originally based.

The Spanish peseta showed no movement at the top of the ERM as the Bank of Spain left its money market intervention rate at 12.6 per cent at a 12-day repurchase agreement tender. The next likely opportunity for a change in Spanish monetary policy is seen as publication of the August consumer price index on September 12.

EMS EUROPEAN CURRENCY UNIT RATES				
Currency	Unit	Rate	% Change	% Annual
Spanish Peseta	100	127.17	-0.20	3.74
Italian Lira	1,000	1,366.00	-0.01	1.51
Belgian Franc	100	20.36	-0.01	1.56
Dutch Guilder	100	2.36	-0.01	1.56
Irish Punt	100	7.88	-0.01	1.56
Portuguese Escudo	200	200.48	-0.01	1.56
French Franc	100	6.55	-0.01	1.56

European rates set by the European Commission. Currencies are in descending order of value. Percentage changes are for the day's movement. The pound sterling is the base unit. The pound sterling is the base unit. The pound sterling is the base unit.

Forward rates are for the end of the month. The pound sterling is the base unit. The pound sterling is the base unit. The pound sterling is the base unit.

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FINANCIAL FUTURES AND OPTIONS

LIFTS LONG JULY FUTURES OPTIONS

Strike	Call	Put	Settlement
91	2.50	0.25	0.25
92	2.25	0.50	0.50
93	2.00	0.75	0.75
94	1.75	1.00	1.00
95	1.50	1.25	1.25
96	1.25	1.50	1.50
97	1.00	1.75	1.75
98	0.75	2.00	2.00
99	0.50	2.25	2.25
100	0.25	2.50	2.50

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97	1.00	1.75	1.75
98	0.75	2.00	2.00
99	0.50	2.25	2.25
100	0.25	2.50	2.50

Estimated volume total

CANADA									
Series	Stock	High	Low	Close	Chng	Series	Stock	High	Low
TORONTO									
3:00 pm prices September 3									
Dow Jones in cents unless marked \$									
2000	Abdell Pr	81 1/2	81 1/2	81 1/2	+	1000	Alcan	28 1/2	28 1/2
3000	Alcan	28 1/2	28 1/2	28 1/2	+	1100	Alcan	28 1/2	28 1/2
4000	Alcan	28 1/2	28 1/2	28 1/2	+	1200	Alcan	28 1/2	28 1/2
5000	Alcan	28 1/2	28 1/2	28 1/2	+	1300	Alcan	28 1/2	28 1/2
6000	Alcan	28 1/2	28 1/2	28 1/2	+	1400	Alcan	28 1/2	28 1/2
7000	Alcan	28 1/2	28 1/2	28 1/2	+	1500	Alcan	28 1/2	28 1/2
8000	Alcan	28 1/2	28 1/2	28 1/2	+	1600	Alcan	28 1/2	28 1/2
9000	Alcan	28 1/2	28 1/2	28 1/2	+	1700	Alcan	28 1/2	28 1/2
10000	Alcan	28 1/2	28 1/2	28 1/2	+	1800	Alcan	28 1/2	28 1/2
11000	Alcan	28 1/2	28 1/2	28 1/2	+	1900	Alcan	28 1/2	28 1/2
12000	Alcan	28 1/2	28 1/2	28 1/2	+	2000	Alcan	28 1/2	28 1/2
13000	Alcan	28 1/2	28 1/2	28 1/2	+	2100	Alcan	28 1/2	28 1/2
14000	Alcan	28 1/2	28 1/2	28 1/2	+	2200	Alcan	28 1/2	28 1/2
15000	Alcan	28 1/2	28 1/2	28 1/2	+	2300	Alcan	28 1/2	28 1/2
16000	Alcan	28 1/2	28 1/2	28 1/2	+	2400	Alcan	28 1/2	28 1/2
17000	Alcan	28 1/2	28 1/2	28 1/2	+	2500	Alcan	28 1/2	28 1/2
18000	Alcan	28 1/2	28 1/2	28 1/2	+	2600	Alcan	28 1/2	28 1/2
19000	Alcan	28 1/2	28 1/2	28 1/2	+	2700	Alcan	28 1/2	28 1/2
20000	Alcan	28 1/2	28 1/2	28 1/2	+	2800	Alcan	28 1/2	28 1/2
21000	Alcan	28 1/2	28 1/2	28 1/2	+	2900	Alcan	28 1/2	28 1/2
22000	Alcan	28 1/2	28 1/2	28 1/2	+	3000	Alcan	28 1/2	28 1/2
23000	Alcan	28 1/2	28 1/2	28 1/2	+	3100	Alcan	28 1/2	28 1/2
24000	Alcan	28 1/2	28 1/2	28 1/2	+	3200	Alcan	28 1/2	28 1/2
25000	Alcan	28 1/2	28 1/2	28 1/2	+	3300	Alcan	28 1/2	28 1/2
26000	Alcan	28 1/2	28 1/2	28 1/2	+	3400	Alcan	28 1/2	28 1/2
27000	Alcan	28 1/2	28 1/2	28 1/2	+	3500	Alcan	28 1/2	28 1/2
28000	Alcan	28 1/2	28 1/2	28 1/2	+	3600	Alcan	28 1/2	28 1/2
29000	Alcan	28 1/2	28 1/2	28 1/2	+	3700	Alcan	28 1/2	28 1/2
30000	Alcan	28 1/2	28 1/2	28 1/2	+	3800	Alcan	28 1/2	28 1/2
31000	Alcan	28 1/2	28 1/2	28 1/2	+	3900	Alcan	28 1/2	28 1/2
32000	Alcan	28 1/2	28 1/2	28 1/2	+	4000	Alcan	28 1/2	28 1/2
33000	Alcan	28 1/2	28 1/2	28 1/2	+	4100	Alcan	28 1/2	28 1/2
34000	Alcan	28 1/2	28 1/2	28 1/2	+	4200	Alcan	28 1/2	28 1/2
35000	Alcan	28 1/2	28 1/2	28 1/2	+	4300	Alcan	28 1/2	28 1/2
36000	Alcan	28 1/2	28 1/2	28 1/2	+	4400	Alcan	28 1/2	28 1/2
37000	Alcan	28 1/2	28 1/2	28 1/2	+	4500	Alcan	28 1/2	28 1/2
38000	Alcan	28 1/2	28 1/2	2					

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on next page

NASDAQ NATIONAL MARKET

3:00 pm prices September 3

[illegible]

3:00 pm prices September 3

[illegible]

PERSONAL COMPUTERS & PC SOFTWARE

The FT proposes to publish this survey on **17 September 1991**. 64% of FT businessmen readers have decision making responsibility for computers. If you want to reach this important audience, call Andy Barrons on 071 873 3201 or fax 071 873 3062.

Data Source: BMRC Businessman Survey 1990.

FT SURVEYS

AMERICA

Dow fluctuates on further evidence of firm economy

Wall Street

SHARE PRICES fluctuated on either side of opening values yesterday morning as the market digested the implications of more good news about the economy, writes Patrick Harrington in New York.

By 1 pm the Dow Jones Industrial Average was up 1.35 at 3,044.95, while the more broadly based Standard & Poor's eased 0.43 to 388.00. The Nasdaq composite index of over-the-counter stocks was down 2.97 at 522.71 by early afternoon, and NYSE turnover was a modest 92m shares.

The Dow gained almost 15 points in the first half hour of trading, after the National Association of Purchasing Managers reported that its index of manufacturing trends rose from 51.8 per cent in July to 54.8 per cent last month. It was the seventh consecutive monthly rise, and the third month running that the index has been over 50 per cent - an indication that the manufacturing economy is expanding, rather than contracting.

Investors were able to take a positive or a negative view of the data. On the plus side it showed that the US economy is pulling out of its recession, but on the minus side the strength in manufacturing could persuade the Federal Reserve that

interest rates do not need to be cut to stimulate economic activity.

The latter argument took hold later in the morning session, sending prices lower. However, there is still hope that, if this Friday's August employment report shows weak labour market conditions, the Fed will decide to ease monetary policy.

Among individual stocks, Aetna slipped 3/4 to 35 3/4, while the shares of the pharmaceutical giant Pfizer rose 1/4 to 38 1/4. The shares of the pharmaceutical giant Pfizer rose 1/4 to 38 1/4.

Compag Computer jumped 1 1/4 to 58 1/4 on turnover of 300,000 shares after Mr David Kohn, an analyst at Kidder Peabody, raised his rating on the company from "underperform" to "buy", citing his approval of measures that Compag had taken to improve its performance in the highly competitive personal computer market.

Browning-Ferris fell 3/4 to 22 on volume of 1.5m shares as Wall Street analysts cut their earnings estimates following a profits warning from the company. It said that income from continuing operations for the fiscal fourth quarter ending this month would be about 15 per cent to 25 per cent lower than in the third quarter.

On the over-the-counter market, profit-taking dropped Intel 1/4 to 48 1/4, Microsoft 3/4 to 82 1/4, and Amgen 1/4 to 158. Collagen shed 1/4 to 81 1/4 on the news that the Food and Drug Administration is considering asking the company to change the labelling on some of its products.

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Canada

TORONTO stock profits following the US economic figures and the composite index fell 8.6 to 3,509.3. Declining issues led advances by 205 to 154 on volume of 8.2m shares valued at C\$99.9m.

Among active shares, Bank of Nova Scotia rose 1/4 to C\$19 1/4, Rogers Communications eased 3/4 to C\$10 1/4, and Toronto-Dominion slipped C\$1/4 to C\$18.

Laidlaw class B fell C\$3/4 to C\$12 1/4 after a Prudential Securities analyst said that he had cut his rating for a waste management competitor, Oschawa Group class A shares eased C\$1/4 to a 52-week low of C\$27 on last Friday's fall in second-quarter earnings.

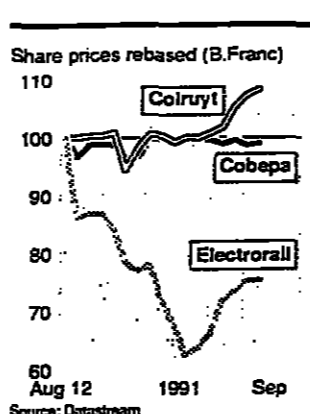
Cobepa seeks a higher stock market profile

Lack of public knowledge has hampered the 'merchant investor', says Andrew Hill

THE BRUSSELS stock market is not the most comfortable place to be at the moment. But the locals still have confidence in the exchange, in spite of the much-publicised financial difficulties of its clients - the small stockbrokers - and of the bourse authorities themselves.

Cobepa, short for Compagnie Belge de Participations, is Belgium's largest holding company after the better-known Soci t  G n rale de Belgique and Groupe Bruxelles Lambert. Within the last fortnight it has made public a desire to improve the liquidity of its shares on the Belgian market, 66.7 per cent of which are owned by Groupe Paribas, of France, with much of the balance held by cautious Belgian institutions.

This year, Cobepa shares have risen only 6 per cent, compared with 38.4 per cent for the group's net asset value. Cobepa likes to describe itself as the 20th century equivalent of a 19th century merchant banker/investor, providing financial advice but also owning a wide portfolio of minority holdings in its own right. That partly explains why it is still comparatively face-



Share prices rebased (B.Franc)

Source: Datastream

public lack of knowledge about the group. This is not a new problem. But the stickiness of Cobepa's shares has also highlighted the fact that they are trading at a widening discount to the group's net asset value.

Cobepa likes to describe itself as the 20th century equivalent of a 19th century merchant banker/investor, providing financial advice but also owning a wide portfolio of minority holdings in its own right. That partly explains why it is still comparatively face-

less. Unlike its larger counterparts, such as Soci t  G n rale, Cobepa does not take a strong operational hand in running the industrial strategy of groups in which it has a stake. And because it insists on a friendly relationship with its associate companies, it rarely makes the headlines.

Mr Christophe Evers, who is in charge of Cobepa's Treasury and market operations, says that improving the ability of investors to trade Cobepa stock would provide a service to existing shareholders, and encourage contacts with other international companies.

Mr Evers, who is responsible for the group's short-term share portfolio, stresses that Cobepa neither wants nor needs to raise new funds immediately. That reflects the company's attitude to its own investments on the Belgian exchange: "Basically we are cautious at the moment. We are investing, but not that enthusiastic about investing on a large scale and that is true of the trading portfolio and the longer term shareholdings."

Such caution is understandable given the present climate

of the Brussels exchange. When not becalmed, Belgian company shares risk being rocked by squalls of short-term speculation. For example, Electrall, a small Belgian holding company, set the rumour mills spinning three weeks ago when it revealed that Tontont Tapis - "Uncle Carpet" - a Belgian chain of carpet retailers in which the holding company has a 40 per cent stake, was having severe financial difficulties with its French stores.

Released from temporary suspension by the bourse authorities, Electrall stock has become a prey for speculators. The shares slipped nearly 20 per cent in five days, and the company was forced to produce a statement pointing out that the problems at Tontont Tapis were the sole reason for the share suspension. Last week, the shares jumped 8.5 per cent, closing yesterday at BFr284. "It was a story of one-way sellers and no buyers," explains one analyst. "And then last week we saw some really speculative buyers."

Shares in Electrall also attracted attention last week, rising more than 6 per cent

after institutions decided to sell some large stakes in the Belgian retail group, exciting buyers' interest. The shares have now increased by more than 40 per cent since the beginning of the year, standing yesterday at BFr3,900, and some brokers still believe they are undervalued.

"People are investing for fundamental reasons: they are going to get good results from Electrall. On top of that, there is always the speculative possibility that at some stage part of the family holding might be sold," says Mr Evers.

He retains his confidence in Brussels, in spite of its recent overall sluggishness. "It has a bit of catching up to do in relation to the other markets. It is still true that in ratio terms the Belgian market is cheaper than its neighbours." Yesterday the Bel20 index rose 7.89 to 1,139.95.

If Cobepa does eventually expand its shareholder base, it will at least give analysts something to talk about. As one Brussels broker puts it: "There is never really a story about Cobepa. It's been a little bit boring in recent years."

ASIA PACIFIC

Japan ends little changed as rate cut lifts Australia

Tokyo

SHARE PRICES moved in a narrow range yesterday, tracking movements in the futures markets. The Nikkei average finished almost unchanged, as foreign buying continued to absorb arbitrage-related selling, writes Emiko Terazono in Tokyo.

The Nikkei closed off 0.79 at 22,489.90 after a high for the day of 22,587.21 and a low of 22,419.00. Turnover in the index totalled 330m shares. Continued buying by foreign investors supported volume, but traders said domestic institutions were reluctant to commit funds before the September book closing.

Gains led losses by 443 to 359, with 240 issues unchanged. The Topix index of all first-section stocks shed 5.55 to 1,744.15, but in London trading the ISE/Nikkei 50 index ended 4.03 firmer at 1,334.89.

Futures prices fell, led by a volatile bond market; the cash market was affected but found support from selective buying.

Sluggish earnings results for the half year to September from the bulk of companies are a growing concern in the market, so yesterday's trading focused on companies backed by good earnings forecasts. Osaka Gas, the most active issue of the day, strengthened Y18 to Y564. The company expects a 20 per cent year-on-year rise in pre-tax profits to March 1992.

Julio Paper climbed Y16 to Y616 on buying by foreigners, who were attracted by the company's stable business conditions and prospects of an early recovery in profits.

General Sekiyu, the oil refiner, moved ahead Y70 to a year's high of Y1,750, backed by expectations of an upward revision in earnings. Other oil issues were also strong, with Nippon Oil advancing Y34 to

Y1,010 and Showa Shell Sekiyu Y130 to Y2,050. JVC, the audio maker, lost Y70 to Y1,390 on reports that the company's pre-tax profits are expected to fall 23 per cent for the year to March 1992.

The auto sector fell on the weak business outlook. Nissan Motor slipped Y5 to Y685 on the company's projected 45 per cent fall in pre-tax profits for the current business year. Toyota Motor declined Y40 to Y1,580.

Individual investors chased Meiji Seika, the confectioner. The issue rose Y69 to Y956 on continued popularity after the company's development of a new anti-cancer drug. The antibiotic will be presented to the cancer association next week.

In Osaka, the OSE average put on 22.82 to 24,443.16 on the volume of 32.8m shares as individual investors hunted for bargains. Murata Mfg, the ceramic capacitor maker, appreciated Y80 to Y1,880 on forecasting a sharp rise in profits for the current year.

Roundup

AN INTEREST rate cut in Australia boosted the Antipodean markets, but political speculation held back Singapore and Hong Kong yesterday.

AUSTRALIA was lifted 1.9 per cent by news of a one-point cut to 8.5 per cent in the central bank's official interest rate. The All Ordinaries index gained 29.7 to 1,589.6. Turnover rose to A\$224m from A\$38m.

Among the day's winners, BHP moved up 25 cents to A\$13.85, News Corp 56 cents to A\$10.40 and Coles Myer 20 cents to A\$10.85. In the banking sector, NAB advanced 25 cents to A\$7.26, ANZ 16 cents to A\$3.94 and Westpac 16 cents to A\$4.76.

CRA, the mining group, rose to an early high of A\$13.80 but fell back to A\$13.60, up 10 cents, on news of a 49 per cent

fall in net interim profits.

NEW ZEALAND also rose in response to the Australian rate cut, with stocks listed in both countries leading gains. The NZSE 40 index climbed 19.36 or 1.4 per cent to 1,422.84 in moderate turnover of NZ\$16.6m, up from NZ\$9m.

Goodman Fielder Wattie, the Australia-based food company, improved 7 cents to NZ\$2.54 on volume of 500,000 shares.

SINGAPORE slipped on profit-taking and rumour that the prime minister could resign in the wake of last weekend's general elections. The Straits Times Industrial index lost early gains to close 3.98 down at 1,425.03. Volume grew to 60m shares from 25m.

HONG KONG marked time as investors continued to contemplate the UK prime minister's visit to China. The Hang Seng index edged up 1.53 to 4,025.07 as turnover eased from HK\$1.09bn to HK\$1.04bn.

Citic Pacific, formerly Tyfill Company, was suspended at its own request at Monday's closing price of HK\$1.66.

MANILA gained ground on the previous day's news of the Philippines' debt restructuring deal with a group of leading bank creditors. The composite index added 6.73 to 1,022.00 as turnover picked up to 147m pesos from 95m.

TAIWAN retreated on profit-taking. The weighted index fell 48.09 to 4,632.59 in moderate turnover of T\$39bn.

BOMBAY dropped 1.8 per cent on fears of higher than normal carry-forward charges at the end of the two-week account, which closes tomorrow. The BSE index lost 31.63 to 1,764.26.

JAKARTA moved below the 300 level on the market index, as a leading textile company's downward revision of its profits forecast continued to depress sentiment. The index receded 3.64 to 299.86 in volume of 6.7m shares.

EUROPE

Paris nears 1991 peak in moderate turnover

BOURSES REMAINED quiet yesterday, with marketmakers accounting for much of the trading volume, writes Our Market Staff.

PARIS closed near its 1991 high in moderate trading, but there was little excitement in the market. The CAC 40 index added 9.66 to 1,873.18, compared with a year's high of 1,874.81 set on June 11. Turnover grew to about FF1.95bn from FF1.15bn.

State-owned companies continued to attract interest, on hopes that the government would attach voting rights to investment certificates. One dealer said that the rally in the certificates was now probably over, adding that it was unlikely that the state would cede control of more than 25 per cent of companies.

Certificates in BNP, which is said to be on the point of taking a cross shareholding in Dresdner Bank of Germany, gained FF16, or 5.5 per cent, to FF307 with 161,225 exchanged. Pechiney also added FF16, or 5 per cent, to FF339 with 132,400 changing hands.

However, Rh ne-Poulenc's certificates fell FF5.80 to FF411.20 after the chemical and drug company announced second-quarter results at the low end of expectations.

Elsewhere, Peugeot fell FF11 to FF623 on the news that its car sales had fallen 23.5 per cent in August from the same month last year.

Sanofi, the pharmaceuticals company, was steady at FF948 before reporting first-half figures better than most expectations after the market closed.

FRANKFURT saw movement in a few second liners as the bulk of equities drifted in thin volume. German market turnover recovered to DM3bn from DM2.7bn, as the FAZ index eased 0.84 to 697.30 at mid-session and the DAX closed 5.18 higher at 1,655.64.

Continental, seen as a speculative buy by James Capel, the

stockbroker, after Friday's interim report, rose DM5 to DM220 after a gain of DM33.30 on Friday. A financial adviser to Pirelli SpA, the Italian company involved in an extended courtship of the German tyre-maker, said on Monday that Pirelli had not been buying Conti's shares.

Siemens Nixdorf (SND), the computer arm of the electrical giant, rose DM7.50 to DM245.50. On Monday, SND said that it had won a DM130m order to equip 1,400 savings banks in eastern Germany with electronic banking systems.

MILAN edged higher in subdued trade. The Comit index rose 2.52 to 555.48. Mr Roberto Morelli of County NatWest estimated that turnover might have risen from L45bn to L70bn, but that L20bn to L25bn of this reflected stocks sold in the liquidation of two failed stockbrokers caught in the latest share scandal.

FT-SE Eurotrack 100 - Sep 3

Hourly changes									
Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close		
1128.27	1128.43	1128.54	1128.53	1128.43	1127.93	1129.38	1128.91		
Day's High			1129.60	Day's Low			1127.77		
Sep 2	Aug 30	Aug 29	Aug 28	Aug 27					
1126.81	1125.84	1124.82	1121.03	1118.91					
Base value: 1000 C30/10/90									

Base value 1000 (20/10/90)

Meanwhile, telecoms recovered. County noted that SIP rights not taken up in the recent issue, estimated at 12.5 per cent of the total, had been sold in the Turin bourse for a nominal one-hundredth of a lira. With the potential overhang removed, Set rose L30 to L1,556.

COPENHAGEN edged lower overall, but telecoms stocks moved sharply higher. There was speculation that the price at which telecoms companies' shares will be converted into Teledanmark shares next year

will be higher than previously announced.

JTAS rose DKr70 or 28 per cent to DKr320 and KTAS gained DKr25 or 13.2 per cent to DKr215.

STOCKHOLM eased on profit-taking and pre-election uncertainty. The Aff rsv rlden General index fell 11.9 or 1.1 per cent to 1,078.5 in turnover of SKr247m, after SKr274m.

Trelleborg restricted B shares fell SKr5 to SKr112. The company has said that Custodia, the investment company in which it holds 25 per cent

stake, was in need of an injection of new capital. The news that the mining and industrial products group has agreed to sell property worth about SKr500m also triggered speculation about a deterioration in second-quarter results.

OSLO declined in moderate trading, with the all-share index down 4.78 at 515.11 in turnover of Nkr281m.

ZURICH virtually stood still, the Cr dit Suisse index closing a mere 0.1 higher at 536.3. Alluisse followed suit, steady at SFr1,050 in spite of forecasting a fall of about a third in profits this year. The aluminium and chemical company said that it expected to pay the same dividend for 1991.

AMSTERDAM slipped in quiet trading, after lower-than-expected first-half results from Gist Brocades, the biotechnology company. The stock lost F11.80 to F135.30, as the CBS tendency index fell 0.1 to 91.5.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY SEPTEMBER 2 1991								FRIDAY AUGUST 30 1991								DOLLAR INDEX	
	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	% chg on Div. Yield	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)		
Figures in parentheses show number of times of stock																		
Australia (60)	146.35	-0.2	128.77	126.46	132.81	124.15	+0.0	5.00	146.86	129.35	126.87	133.33	124.18	151.58	112.74	144.27		
Austria (20)	178.10	+0.2	134.95	132.18	139.81	139.91	+0.5	1.77	175.77	135.03	132.06	138.79	138.18	222.37	154.82	221.56		
Belgium (47)	128.41	+0.8	112.98	110.85	115.93	113.94	+0.6	5.20	127.59	112.53	110.35	115.85	110.20	118.04	112.04	141.20		
Canada (114)	140.20	+0.1	123.36	121.14	127.22	115.83	+0.0	3.27	140.07	123.54	121.16	127.32	115.83	142.27	126.49	141.20		
Denmark (37)	251.85	+0.1	221.69	217.72	228.64	230.97	+0.1	1.53	251.67	221.97	217.71	228.78	230.79	270.56	217.74	257.68		
Finland (19)	96.12	+0.4	84.49	82.98	87.14	85.56	+0.7	2.92	96.94	84.35	82.73	88.94	84.97	125.15	98.53	121.55		
France (169)	136.71	+0.0	120.29	118.12	124.05	127.17	-0.1	3.49	136.73	120.59	118.27	124.28	127.35	132.26	119.17	137.29		
Germany (105)	109.90	+0.4	95.82	94.11	98.82	98.92	+0.3	2.28	108.42	95.82	93.80	98.56	96.56	125.35	94.15	107.29		
Hong Kong (59)	236.40	+0.6	208.07	204.28	214.33	208.95	+0.2	3.28	236.22	207.46	203.46	210.82	208.74	242.90	192.30	236.40		
Hong Kong (55)	187.35	+0.6	147.25	144.81	151.88	146.72	+0.6	4.23	186.36	146.93	143.73	149.51	154.74	169.96	119.82	125.45		
Ireland (18)	155.87	+1.2	137.14	134.59	141.45	143.36	+1.1	3.49	163.98	135.81	133.20	139.98	141.68	188.98	132.98	150.90		
Italy (77)	71.73	-0.1	63.11	61.96	65.09	66.72	-0.3	3.35	71.79	63.31	62.10	65.25	66.91	88.23	64.78	86.80		
Japan (474)	128.57	+1.1	111.57	109.37	115.37	110.37	+1.0	0.77	125.41	110.37	105.57	113.77	110.77	136.25	146.97	121.30		
Malaysia (38)	209.30	+1.7	184.16	180.85	189.83	224.41	+1.9	2.97	205.77	181.48	177.59	187.75	220.51	247.78	198.98	221.30		
Mexico (16)	1206.84	-0.7	1061.87	1024.84	1095.19	1022.48	-0.7	1.35	1214.81	1071.43	1050.87	1104.31	1048.05	1223.71	534.45	821.18		
Netherlands (31)	130.07	+0.4	121.48	119.31	125.30	123.89	+0.2	4.33	137.47	121.24	116.92	124.97	123.80	145.73	125.70	130.07		
New Zealand (14)	45.94	-0.4	40.42	39.70	41.68	42.20	-0.1	7.17	46.36	40.88	40.10	42.14	42.97	54.64	41.18	62.93		
Norway (31)	201.06	-0.5	178.92	173.76	182.48	183.34	-0.5	1.51	202.14	178.28	174.86	183.76	187.25	223.24	178.58	262.77		
South Africa (61)	238.40	-0.5	208.01	204.27	214.33	186.95	-0.2	3.26	235.22	207.46	203.46	213.82	217.21	258.65	173.63	218.40		
Spain (53)	151.30	+0.8	133.12	130.24	137.20	124.59	+0.5	4.31	150.12	132.40	128.96	136.48	129.96	171.12	131.51	155.05		
Sweden (19)	141.10	-0.4	126.95	124.78	133.45	125.55	-0.3	2.47	141.91	126.90	124.46	130.12	124.46	150.72	146.69	168.08		
Switzerland (58)	92.78	-0.2	81.62	80.10	84.19	88.16	+0.1	2.19	92.93	81.96	80.40	84.96	85.88	100.67	92.17	85.97		
United Kingdom (240)	180.78	+1.4	159.05	156.18	164.02	159.05	+1.2	4.82	178.19	157.15	154.12	161.99	157.15	182.17	136.27	162.42		
USA (527)	140.51	+0.0	121.49	130.76	127.33	160.55	+0.0	3.02	160.58	146.61	139.92	145.99	160.58	161.02	125.95	130.17		
Europe (827)	160.39	+0.8	143.48	121.24	147.33	125.93	+0.8	3.79	136.26	142.63	136.97	126.80	125.19	151.22	125.60	139.63		
Europe (109)	168.68	+0.2	139.91	125.93	147.33	125.93	+0.8	3.79	136.26	142.63	136.97	126.80	125.19	151.22	125.60	139.63		
Europe-Pacific (718)	126.13	+0.1	112.74	110.12	116.26	111.21	+1.0	1.13	126.79	111.83	108.69	115.26	110.14	146.52	112.29	133.85		
Europe-Pacific (1545)	133.28	+0.9	117.27	115.16	120.85	117.80	+0.8	2.24	132.06	116.47	114.23	120.04	116.85	147.86	121.29	133.85		
North America (641)	135.25	+0.2	120.35	118.12	124.05	127.17	+0.0	4.00	135.25	120.35	118.12	124.05	127.17	157.55	159.66	125.81	130.81	
North America (109)	135.25	+0.2	120.35	118.12	124.05	127.17	+0.0	4.00	135.25	120.35	118.12	124.05	127.17	157.55	159.66	125.81	130.81	
Pacific-Europe (Japan (244)	133.28	+0.9	126.35	124.11	130.73	127.68	+0.4	3.14	143.18	126.28	123.88	130.17	127.20	147.90	121.40	132.80		
World ex UK (1736)	135.24	+0.9	119.45	116.68	122.03	119.18	+0.8	2.29	134.08	118.24	115.99	121.87	118.29	146.16	122.32	134.53		
World ex UK (2062)	136.17	+0.9	119.45	116.68	122.03	119.18	+0.8	2.29	134.08	118.24	115.99	121.87	118.29	146.16	122.32	134.53		
World ex UK (2281)	137.17	+0.5	125.95	122.89	129.03	131.82	+0.5	2.66	141.00	124.71	122.35	128.55	131.29	145.77	120.06	120.06		
World ex Japan (1736)	142.72	+0.3	134.36	131.38	138.62	144.85	+0.2	3.36	152.29	134.31	131.75	138.45	144.53	182.63	126.96	184.86		
The World Index (2281)	142.72	+0.5	126.82	123.38	129.57	132.21	+0.5	2.57	142.00	125.24	124.34	128.09	131.60	149.41	122.96	151.91		